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Everyone who trades on margin or who has a collateral bank loan (the same thing in principle, but under another name) should read this helpful little book. It will show you where and why you "went wrong" in the past, and it points the way to future success by indicating clearly the dangers and pitfalls you must avoid—the needless and avoidable mistakes that 99 out of 100 traders and investors usually make.

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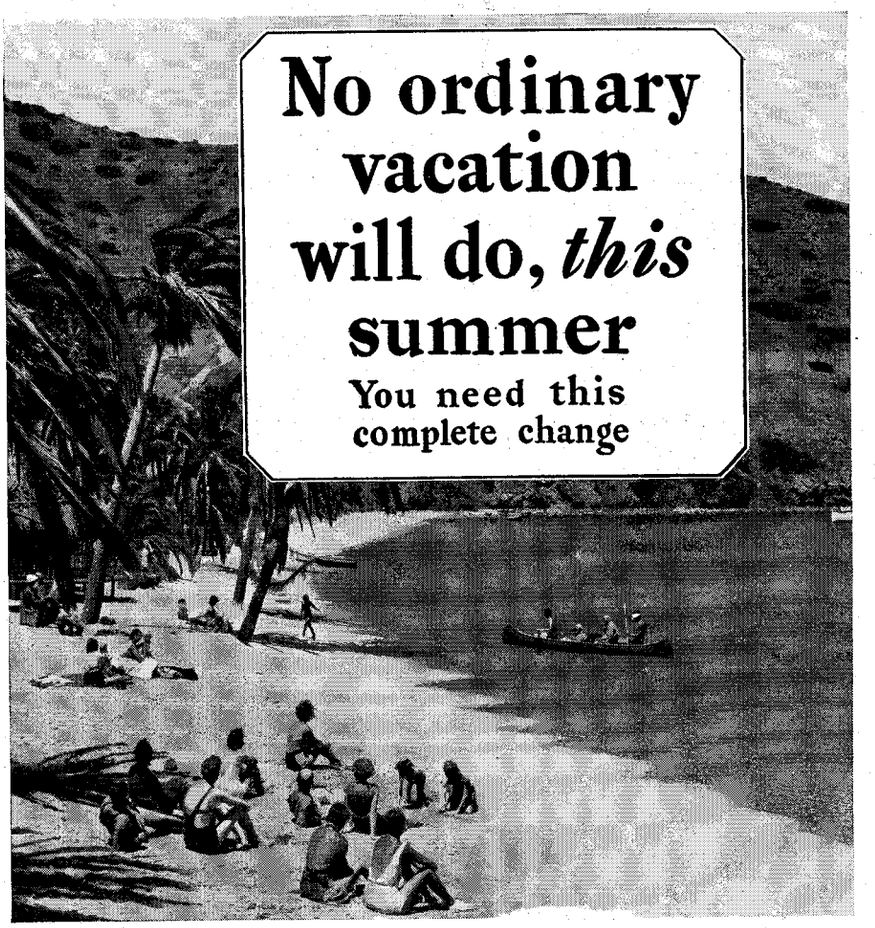

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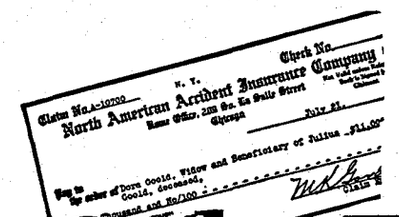
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Checklist of New Ideas

ON THE MOVIES AND THE MINORS

It is ridiculous for us to try to keep away the idea of the gangster from the youngsters. Gangsters are! —*Leroy E. Bowman, of the Child Study Ass'n.*

ON WHAT MAKES A REPUBLICAN A DEMOCRAT

I have long been an admirer of Jim Farley, and I am convinced that many principles of the Democratic Party are more in accord with my views; and then, too, Jim and I are members of the same lodge of Elks in Haverstraw.—*Arthur F. Boyce, former Republican.*

ON FARMERS

I don't think the farmer is as badly off as he says he is. His chief trouble is that he is land poor. Did you ever see a farmer—outside of New England—who did not want to buy the next piece of property to him? — *Frederick Henry Prince, Prides Crossing, Mass.*

ON SELF-GOVERNMENT

If a community cannot decide how much money it shall spend for local purposes, its much vaunted self-government is an empty boast.—*Senator Seabury C. Mastick.*

ON REVOLUTION

People do not make revolution eagerly any more than they do war. There is this difference, however, that in war, compulsion plays the decisive role, in revolution there is no compulsion except that of circumstances. —*Leon Trotsky.*

ON LEGISLATIVE PROCEDURE

What good is there in working out policies and plans and measures by which the government can lift the country out of the depression if there is no government in Washington capable of taking prompt and certain action.—*Walter Lippmann.*

ON MODERATION

It is necessary to urge upon all in America that they avoid as far as possible any bombings based on differences of political opinion.—*From an editorial in the New York Evening Journal.*

Thousands of investors all over the country are carrying stocks at tremendous losses. They continually are asking themselves:

WILL THIS BEAR MARKET EVER END?
WILL STOCKS EVER STOP GOING DOWN?
WHEN WILL THE NEXT BULL MARKET BEGIN?

These unfortunate investors do not know whether to salvage what little they can from the remnants of their depleted accounts, or to hold on grimly until the next Bull Market is in full swing and they can crawl out with a whole skin.

There are still other thousands of investors, more fortunate, who have liquid funds. These individuals are asking themselves:

Should I buy stocks now or delay purchases for several months?
Have the low points of 1933 been witnessed for most securities?
If not, when are stocks apt to reach bottom?
Are we likely to see a Bull Market get under way this year? If so, when?

Our current Stock Market Bulletins, copies of which will be sent to you free of charge and without obligation, discuss the above questions. While no attempt is made to guess the solution to unanswerable questions, the conclusions reached should prove of immense value to all holders or prospective purchasers of securities. It is our belief that no more valuable appraisal of the current situation has been made by any organization.

We are content to risk the accuracy of our forecasts and the reputation of our service on the predictions contained in these Bulletins. You will find them profitable reading.

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Below you will find briefly described 50 travel bargains which are being offered by the travel lines today. You may choose to go by air, water, motor or rail. . . . Minimum rates have been quoted and are, of course, subject to change. Unless stated, quoted rates are from New York and do not include tax. Use the coupon below if you desire further information on any one or more items. Simply identify the trip or tour by writing the cost and first few words as given. This service is gratis for the readers and friends of NEW OUTLOOK.

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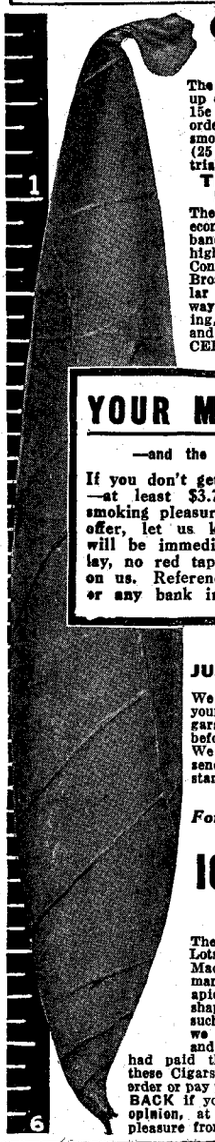

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NEW
OUTLOOK

ALFRED E. SMITH
Editor-in-Chief

FRANCIS WALTON
Managing Editor

CONTENTS FOR MARCH, 1933

Democratic Leadership at the Crossroads	ALFRED E. SMITH	9
Behind the New Deal	FORREST DAVIS	13
So We Hired the Money	WEDGWOOD BENN	18
An Adventure in Diplomania	MARTIN SOMMERS	21
Mr. Dirksen (R) Goes to Congress	EVERETT M. DIRKSEN	23
Are There Too Many of Us?	LOUIS I. DUBLIN	27
Our National Relief Policy	W. M. KIPLINGER	30
Our City Banks	EDWARD ANGLY	33
Nations Turn to Barter	CARLOS DAVILLA	37
Mayor Unterguggenberger's Plan	HANS R. L. COHRSSEN	42
For the Wows and Moans Committee	RAY PERKINS	45
Economic War Reports	E. H. COLLINS	46
To See or Not to See	CY CALDWELL	48
Two-Legged Economy	HENRY KITTREDGE NORTON	50
Talk of the Nation		54
Outlook Book Choice of the Month	ROBERT CANTWELL	56
Traveling with the News	HENRY ALBERT PHILLIPS	59
What Stamps Tell	ERIK HILDESHEIM	64
Checklist of New Ideas		4

VOLUME 161 NUMBER 6

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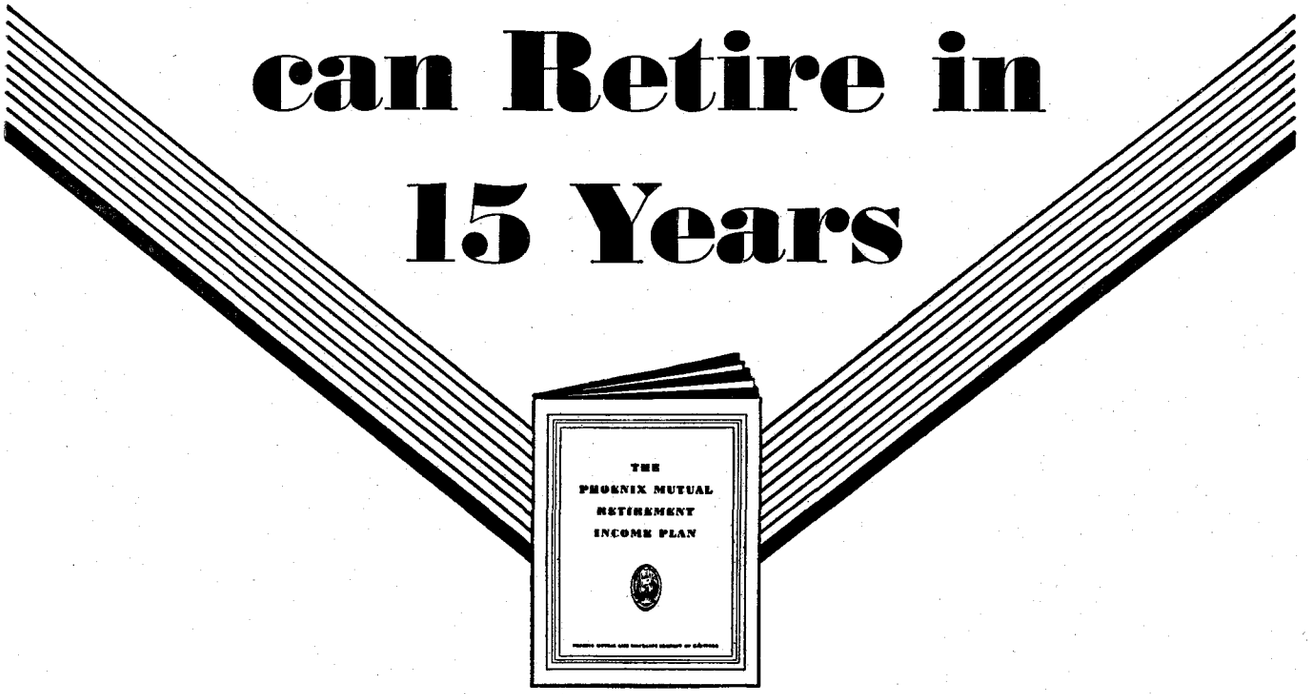
How a Man of 40 can Retire in 15 Years



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The Plan is not limited to men of 40. You may be older or younger. The income is not limited to $250 a month. It can be more or less. And you can retire at any of the following ages you wish: 55, 60, 65, or 70.

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NEW
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Democratic Leadership at the Crossroads

ON MARCH 4TH the Democratic party faces the most important decision in its history. It must decide what kind of a party it will be. The radical and conservative elements in the party are widely and deeply at variance. The task is to provide responsible liberal leadership.

The Democratic party, in my opinion, must rid itself of the counsels of the minority of bigots, fanatics, populists, demagogues, mountebanks and crackpots who masquerade as leaders and give the party a bad name with sensible people—the fanatics who dragged religion and liquor into politics, the populists who blighted the party for so many years with their free silver and other economic heresies, the demagogues who support the opposing party more than half the time and who are without loyalty to person or principle, the mountebanks with their clownish antics and their irresponsible raving against millionaires and big business.

This is a great decision which requires much courage and firmness. The future of the country may well depend upon it.

●

A FORMULA FOR PATRONAGE

THE PROBLEM OF DISPENSING Federal patronage on a party basis has been with us since the days of Andrew Jackson, who established what reformers have called the spoils system. It is a curious historical fact that it was another Democrat, Grover Cleveland, who did more than any one man to upset the Jackson theory because it was Cleveland who fought for and established the merit system of civil service.

Civil service is far from a perfect instrument of government, but on the whole it has worked well. It has given us a reasonably competent group of government employees. Generally speaking, it has kept incompetents out of the service. It is often a sore trial to the able administrator who wants to get the very best men appointed and promoted without red tape. On the other hand, it has prevented unscrupulous administrators from loading up the public service with weak and incompetent employees. At its worst, the civil service system is immeasurably superior to the old spoils system.

Incidentally, civil service is a great buffer between a new administration representing a party long out of power and the horde of the faithful who are clamoring loudly for jobs, and this is particularly true in a period of great depression when millions are out of work. It has often been said that for one friend who is made by an appointment to an exempt job, the executive makes a dozen enemies. Probably the proportion is a little greater today than it would be in normal times.

There is another unusual factor in the patronage problem to plague the new administration, and that is its pledge to reduce government costs. Harassed taxpayers all over the country know perfectly well that patronage jobs outside of the competitive civil service are a great reservoir of waste and extravagance, and they have a right to expect that a considerable number of these jobs will be abolished instead of being filled. If deserving party men are appointed to such positions in March, it will not be easy to throw them out as part of a drastic government reorganization in May or June.

If I were to be asked for a program to meet this situation, I would suggest the following:

First, abolish immediately all positions not obviously necessary for the conduct of the government.

Second, retain in the service, irrespective of party, all present officials of conspicuous ability and long service.

Third, pick out for exceptional treatment, on an entirely non-political basis, key positions in each depart-

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ment and let them be filled by the head of the department entirely on his own discretion and with full responsibility for appointing the kind of people who will make the administration of the department a success.

Fourth, fill the rest of the positions through recommendation of local political leaders in the usual way, holding them responsible for selecting competent persons.

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THE MORAL OF THE LAME DUCK AMENDMENT

AFTER YEARS OF DISCUSSION and numerous futile efforts, the Lame Duck amendment is finally written into the Federal constitution. Had it not been for the persistence of Senator Norris, it probably would not be there today. Yet there was never anything radical, complicated, or even controversial in this proposal. It was always just plain common sense. It simply meant adjusting our national election machinery so that the President could be inaugurated promptly after his election, and so that the new Congress would meet shortly after the inauguration instead of leaving the country at the mercy of a Lame Duck Congress for practically a whole year. Revolution in the means of traveling and communication alone would have necessitated this amendment. The voters waited for weeks to get election returns in former days. Now we hear them over the radio and know the results before midnight of election day. The early Presidents spent weeks in painful travel from their homes to the Capitol. Now it is a matter of hours. The prompt assembling of a new Congress was not so important a century ago as it is now.

The moral of the Lame Duck amendment is that the people of the country have it in their hands to bring about any necessary constitutional change quickly and inexpensively if they really want it. They can demand action by Congress and get the subject before conventions or legislatures in the several states in jig time if they insist upon it. If they are indifferent, they can expect nothing unless some one member of Congress, like Senator Norris, makes the subject a hobby and is willing to spend years of his life in riding it to victory. The overwhelming political upheavals of the last year showed in a lurid light how easily the lame ducks might defeat the will of the people, and this fact more than anything else helped Senator Norris to get his amendment through.

If the people of the country speak in unmistakable terms on the question of repeal of the 18th amendment they can get quick action on this subject also. If they don't, they must expect to see it bedeviled indefinitely.

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STRANGLING REAL ESTATE

REAL PROPERTY bears the burden of almost all of our local taxation. This is the curse of property owners in the city, in the suburbs and in the country. Something must be done about it. I am convinced that the best single remedy is to transfer the cost of education from the locality to the state wherever this can be done, and for the state to finance this additional burden through taxes raised otherwise than upon real estate. Many states are already returning large sums to the localities for education in the forms of teachers' quotas and other subsidies. In most states education is a state function. The state should bear the entire burden, but this should be accompanied by a reorganization of school districts so as to get the most efficient units for administration, and to do away with numerous small, extravagant and inefficient units. In most states, I believe that the county is the best unit for school administration.

Whatever the details of the plan may be, I know of no one policy which will so quickly adjust real estate tax burdens throughout the country as the assumption of school costs by the state, and the meeting of these costs by taxes other than those on real estate.

Legislation proposed at Washington to establish an emergency system of mortgage arbitration by boards or agents appointed by the Federal courts seems to me the most promising of all the plans for national mortgage relief affecting farms, city property, and property of corporations such as railroads which face foreclosure by bondholders. Similar plans are proposed by a number of states affecting state foreclosure machinery. This is good judgment. It insures intelligent, orderly procedure in place of riots and disorder. It leaves the borrower in charge of his property without destroying the rights and the investment of the lender. It is the same principle which was applied with success in the case of the so-called rent laws in New York and other states, which protected the tenant who was in arrears from summary action by the landlord. These were temporary emergency measures upheld by the courts under the police power. They were repealed when the emergency ended. The dire consequencs prophesied by the landlords never materialized. It is a good principle to apply throughout the nation at this time. Let us have a temporary moratorium on foreclosures.

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WE, THE PEOPLE

A YOUNG PLAYWRIGHT has recently produced in New York City a melodrama called "We, the People." As described to me, the play gathers into some twenty scenes all the horrible and revolting things which might, by the greatest possible stretch of imagination, happen to two families and their acquaintances in this period of depression. The play ends with violence, death and the destruction of both families. It is a piece of propaganda aimed to show that the man, or the woman, who is poor and obscure has no chance today against the rich and the powerful, and that the law is rigged against the former by the latter. The author's remedy is to tear down the present government and rebuild it on the principles of the Declaration of Independence.

I believe in free speech in all of its implications. We must bear with the honest indignation of youth, even when its remedies are not sane and well-balanced. I am not for doing anything to the young playwright, or to his play by way of censorship or coercion. It is, however, good evidence of the sanity of our people that with all the justification there is for radicalism and resentment, the play does not seem to be accomplishing its ends. The public seems to feel that a man to whom this country has given education and success can direct his energy to better purposes than inciting his less fortunate fellow citizens to violence.

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THE SONG OF THE SHIRT

SOME NINETY YEARS AGO, Thomas Hood, an English poet, wrote these verses as part of a poem called "The Song of the Shirt," which appeared in every school reader when I was a boy and is still recited today. The purpose of the poem was to call the attention of the English people to the exploitation of women workers by unscrupulous employers of that day. "The Song of the Shirt" which helped to rouse the public opinion and which produced the first factory and wage laws, went as follows:

With fingers weary and worn,
  With eyelids heavy and red,
A woman sat, in unwomanly rags,
  Plying her needle and thread—
    Stitch! stitch! stitch!
In poverty, hunger, and dirt,
  And still with a voice of dolorous pitch
She sang the "Song of the Shirt."

"Oh, Men, with Sisters dear!
  Oh, Men, with Mothers and Wives!
It is not linen you're wearing out,
  But human creatures' lives!
    Stitch-stitch-stitch,
In poverty, hunger, and dirt,
  Sewing at once, with a double thread,
A Shroud as well as a Shirt."

It may seem a far cry from Thomas Hood's poem to the New York Factory Investigating Committee of 1911, but the conditions which this investigation and others like it all over the country revealed were almost identical with those which the English poet complained of. The progress made by Justice Brandeis, and others like him, in formulating and bringing about the adoption of labor legislation, and their activities in having these laws declared constitutional were widely supposed to have abolished the worst conditions of industrial exploitation from the land.

The reformers, however, met with a serious set-back when the District of Columbia law providing for a compulsory minimum wage for women and children in industry was declared unconstitutional by a five to three decision of the United States Supreme Court in 1923, Justice Brandeis, whose daughter helped frame the law and was identified with its administration, not voting. It was therefore really one of those unfortunate five to four decisions on social questions which leave the average citizen completely bewildered. What shall we say, for example, to the intelligent woman who discovers that Chief Justice Taft wrote the minority opinion in this case strongly upholding the minimum wage law? Shall we say the Chief Justice was a crazy radical who wanted to destroy the Constitution, or that he didn't know any law? Shall we say that Justice Oliver Wendell Holmes, who also upheld the law, was under the influence of subversive foreign propaganda, and didn't comprehend our American heritage of government?

This decision is now producing the logical results to be expected in a time of depression. The sweat shop has returned in its worst form, and thousands of women are again singing "The Song of the Shirt."

Figures recently compiled by responsible officials and experts show that rates as low as ten, and even five cents, an hour are being paid to women and girls in Massachusetts manufacturing establishments. The same report shows hundreds of girls with weekly earnings under five dollars. It also discloses that both time and piece workers receive as little as two dollars a week. These starvation wages are paid in many cases by shoestring fly-by-night employers who open a sweat shop in a community and leave as soon as public opinion is aroused against them, in many cases not paying their bills. In Maryland cases are reported of wages of thirty to fifty cents for a whole day's work. In New York, cases are reported of a wage of eight cents for hemming one dozen children's dresses and four cents for hemming one dozen shirts; and of a girl sixteen, her mother and an older sister doing tenement house work, making frogs to trim pajamas at eighty cents a gross, their combined earnings yielding four dollars a week; and also of a mother of six children, all without work, crocheting hats at forty cents a dozen and earning eighty cents a week. A shirt company in Kentucky is reported paying thirty-five cents for an eight hour day and newspaper reports indicate that in North Carolina the average wage in the textile industry in some localities is five dollars a week. Many firms in the garment industry are reported as moving into states with less stringent labor laws, exploiting women workers there, and then selling the product in New York at New York prices.

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Under these conditions, the decent employers are handicapped in competing with those who pay starvation wages. So many women and girls are out of work that it is possible to employ them under the most barbarous conditions as to wages, hours and working conditions. The United States Women's Bureau reports women in sewing trades in Connecticut working as much as sixty-five hours a week at a time of unprecedented general unemployment.

Of course, under present conditions, consumers who are themselves hard up, want to buy goods as cheaply as they can, and it is almost impossible to persuade them not to purchase sweated goods. Under the Supreme Court decision governing the minimum wage, the existing state minimum wage boards have nothing to depend on but public opinion, and when public opinion fails them as it does under present conditions, they are all finished. Under these conditions, working people must depend on Governors and legislatures to maintain standards of enforcement of all labor laws.

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As to the compulsory minimum wage for women and children in industry, I believe that a new act, properly drawn and giving full protection against exploitation, should be taken up to the United States Supreme Court for decision, and that the present Court will find means to distinguish the previous decision and hold the new act constitutional. We need not tolerate for another hundred years the conditions which Hood complained of ninety years ago in "The Song of the Shirt."

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AVIATION AND THE RAILROADS

IT HAS BEEN JUSTLY claimed that existing American air lines are subsidized at public expense. In this our country is not unique. The aviation of England, France, Italy, in fact of all the major powers is subsidized. It also has been stated that many of our air mail contracts pay much more than do receipts from straight air passenger business. It does not seem to me that there is any cause for alarm in this situation. Those who wish, either from ignorance or for selfish motives, to detract from America's achievement in the air would have us believe that a precedent is being established in giving extremely essential subsidy to aviation. This, of course, is far from the truth. The railroads in their early days received enormous government subsidies.

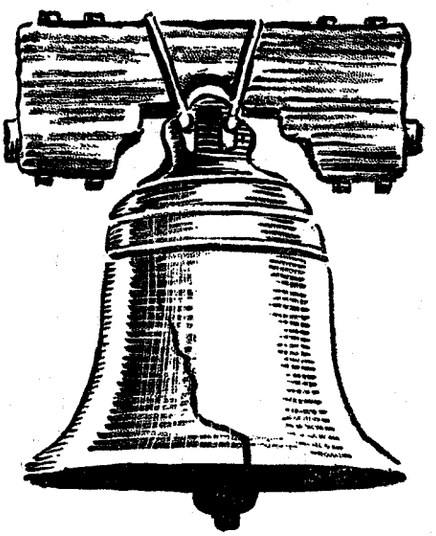
American air lines are the real arteries of business today. Never before was there so great a need for speed in business communication. In a time when the bulk of business is made up primarily of small quick profits, speed achieves a special value which it does not have in normal times. A highly efficient system of air communication has been painstakingly created in the United States through justified subsidy, which we cannot now afford to allow to disintegrate for lack of Government aid.

The blind critics of this federal assistance to aviation are inclined to charge up as subsidy, costs which do not rightly belong in that category. Airway beaconlights and emergency landing fields are supplied by the government solely for the purpose of achieving the highest degree possible of safety in the air. It would be as sensible to claim that lighthouses and the cost of their service were direct subsidies to shipping as to claim that beacon lights and emergency landing fields represent Government subsidy to aviation.

There is also some agitation for direct Government supervision of air lines. Most of this argument is based on the claim that air lines are in competition with railroads but it should be remembered that the railroads in their early days enjoyed a freedom from restrictive regulation. Regulation is naturally very expensive. It becomes bureaucratic. It can also become dangerous when applied to a new form of transportation which has not achieved its full growth. That growth should be attained without too many restrictive regulations.

The airplane is a natural development in the march of progress and supplements older forms of transportation as the railroad supplemented, and in some cases supplanted water borne traffic, and as automobiles supplanted horses and wagons.

The day has come when railroads should become transportation agents by whatever means is most economical and most useful to the general public. It is no mistake to permit them to supplement their present existing lines with trucks on the highways, boats on waterways and airplanes in the air. Modern means of transportation, quick, efficient and convenient, will naturally make inroads on the older forms of transportation. The answer is to let the railroads modernize their transportation system. The answer also is not to create stifling government supervision of air lines which will retard the airplane from becoming an important factor in this scheme of modernization and progress.



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Behind the New Deal

by Forrest Davis

Forrest Davis, New York newspaper man, tells of "the three wise men" of Columbia University who have been responsible for fashioning the expert background of the policy of the incoming Administration.

THE ROOSEVELTIAN NEW DEAL, confiidently pledged and awaited with eager dubiety, is just now being handed around the country's green baize cloth at Washington. Shortly, hard-pressed individuals here and abroad—mortgage-ridden Corn Belt farmers, Wall Street bankers, European debtors, unemployed clerks, iron puddlers and the apprehensively idle rich—shall be picking up their hands to see what in the way of promise and encouragement the cards reveal. But the problematical hazards of play have not begun and, meantime, it may be profitable to reflect on a not widely known factor in the New Deal, namely, that it was expertly shuffled; or, at least, shuffled by experts. A study of that circumstance may furnish clues to the inner nature, the auspices and motivations of the New Deal and shed light on what may be expected in the next four years.

For the first time, so far as a quick review discloses, a President of the United States takes office with a body of policies, a program, formulated in substantial part by a faculty of experts. A specialized kind of expert, moreover. The new President's staff of technical advisers—three in number—is made up of college professors, a type long held in professed scorn as "theorists" by the romantics masquerading as "practical men" who, by and large, mismanage finance and industry. Not politicians, although they have been consulted as freely by Mr. Roosevelt in matters of patronage and policy as any other incoming President; not financiers; not business men; but college professors have been constantly in attendance during the formative interval between election and inauguration. Southern Senators, Barney Baruch, Colonel House, Jim Farley, all might hold the President-elect's ear intermittently but Raymond Moley, professor of Public Law at Columbia University, goad of Tammany judges, wittily irreverent expert, seldom left the presence. And in the background, the other triumvirs—Rexford Guy Tugwell, unconventional economist, and Adolf Augustus Berle, Jr., law professor — turned their departments at Columbia partly into "policy mills" where proposals for national recovery, settling intergovernmental debts and, in general, governing the American people, have been tested. They, too, turned up from time to time at Hyde Park, in New York, at Warm Springs and Washington to bring reports of their analyses and to sit in council.

For months, the professors, flanked by volunteer aides, have explored the economic backgrounds of complex problems pressing upon the new administration. Eminent associates at Columbia have undertaken special studies, or opened fields of current research. Instructors and candidates for degrees have delved into the abstrusities of gold production, charted long-term reserve accounts and wrestled with the metaphysical record of recent credit excesses. A profound survey has been made of the knotty subject of tax exempt securities, a subject which bears immediately upon the problem of refunding the national debt and issuing immense new bond issues for public works. The perplexities of private debts—senior railroad securities as well as farm and urban home owners' mortgages—have been canvassed. The activities of the Reconstruction Finance Corporation have been reviewed. Long hours have been passed over tables and statistics relating to the capacity of the European debtor states to transfer payments in kind, in gold, or in their own depreciated currencies. In short, nothing which underlies the welfare of the American people in this difficult time has fallen outside the range of the inquiries. And always, the correct, the mathematical, the precise answer has been sought irrespective of political considerations, of the interests of great private aggregations of wealth, or of local or factional predilections. What has been sought, with religious devotion, is the ultimate fact; giving rise to a quip uttered recently under the statue of Alexander Hamilton on the Columbia College campus, a suggestion that the advising professors had set up a "Factocracy."

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Here then is the so-called Brain Trust—Drew Pearson's "soviet of brilliant thinkers"—which, by a revolutionary alteration in the methods of high politics in this Republic, Mr. Roosevelt seated on his right hand as he arranged the cards for the New Deal. The fact that the President-elect has chosen to shuffle his policies through the disinterested hands of college professors has been known; but it is doubtful if the significance, nor the implications flowing from his choice of experts, has at all been grasped except on Capitol Hill. There, as David Lawrence has pointed out in one of his recently syndicated articles, intimations of hostility to the "college professors" already are heard.

The elder statesmen in Congress, especially the patronage hungry patriots on the Democratic side, may well whet their knives for Dr. Moley. Unless he is suddenly to lose his potency, Dr. Moley is a personal fac-

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tor to be reckoned with. It is loudly whispered that Norman Davis instantly disappeared from the popular slates for Secretary of State as soon as it became known that differences had developed between the New York lawyer and the professor. Moreover, certain speeches delivered by Dr. Moley before he became a Presidential adviser have been dug up by the statesmen; addresses in which he seemed to hint at an attitude mistrustful of legislative assemblies and politicians in general. And to cap the argument, the whole procedure of an informal, unofficial cabinet of experts devising policies is non-traditional. Woodrow Wilson, although a pedagogue and inclined to be haughty in the matter of intellect, did not surround himself with professors; nor did Mr. Hoover, classified occupationally as an engineer, think fit to retain a corps of engineers to weigh measures.

It remained for Mr. Roosevelt, a Hudson river squire who has been said more nearly to resemble Thomas Jefferson than any intervening President, to summon academic advice from the campus into the heat and bustle of the political day. Instead of a kitchen, or a tennis cabinet, he preferred to lean on a cap and gown cabinet. It is a consummation for long desired by the intellectuals; an opportunity for scientists, those who know, to bear directly upon the processes of government—and it is small wonder that certain politicians are disconcerted.

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What, they ask in some agitation, does this reliance upon technical knowledge mean? Has the modern preoccupation with precision methods of measurement at last entered the higher reaches of political administration? Has the New Deal been stacked without regard to local, or class, interest? What becomes of the inexact, give-and-take technique for arriving at policies?

Here and there a startling question takes fugitive form: May the President, behind his smiling, tactful, cheery façade be meditating a liberal quasi-dictatorship, within the Constitution, if Congress does not accept the "enlightened administration" he promised before the Commonwealth Club, in San Francisco? Relying upon his political acumen and newly-demonstrated power of popular leadership, supported by the independent judgments and researches of the Brain Trust, is Mr. Roosevelt prepared to push through a well-thought-out program for national recovery whether Congress proves tractable, or stubborn?

Let us see what is discoverable about the probable nature of support forthcoming from the expert faculty. If it is noteworthy that Mr. Roosevelt should be the first President to establish a professorial staff, it is assuredly of first rate significance that he should have chosen a political scientist who has expressed himself as somewhat skeptical of democratic methods; an economist who holds advanced views about the redistribution of wealth and suggests that banking is the State's function; and a law professor who, in a current volume, points the necessity of social control over the great corporations which increasingly overshadow the country's business.

Mr. Roosevelt, no doubt, could have drawn from any branch, clique or school in the whole academic faculty. He might have impressed into his service reactionary, or classical economists; or, on the other hand, convinced Marxians with a yearning toward Moscow. That he did, indeed, choose to work with, and value, professors whose expressed views tend so far toward the Left must be taken as affording insight into his intentions.

If certain leaders in Congress and the Democratic party regard Dr. Moley with misgivings; Wall Street might do worse, for its eventual soul's ease, than to scan the utterances of Messrs. Tugwell and Berle. Here it should be said, by way of accuracy, that most of the powerful Senators and Representatives who have worked with Dr. Moley yield him respect and confidence and Wall Street might also re-read Mr. Roosevelt's Commonwealth Club address in the light of more recent occurrences; especially where he said: "Our task . . . is the soberer, less dramatic business . . . of meeting the problem of under-consumption, of distributing wealth and products more equitably, of adjusting existing economic organizations to the service of the people."

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Dr. Moley's critical approach to the democratic methodology attracted only passing notice in the years from 1930 onward after he had emerged from Columbia as a civic reformer. Read in relation to his present association, they may be assumed to shed light on aspects of the New Deal.

In April, of 1930, Dr. Moley, addressing the New York City League of Women Voters, outlined a rather extensive confession of political faith. He had, he said, "lost faith in numbers" as a means of arriving at desirable political conclusions. He had substituted a "faith in facts" for the customary reliance on a count of noses. Disclosing that Mr. Roosevelt, then Governor of New York, was "extraordinarily favorable to the idea of scientific research in government," Dr. Moley wondered if the day would not soon come when we should have commissions to find facts and lay out policies for the guidance of legislative bodies.

"I am greatly concerned," the professor asserted in the same address, "as I observe the present state of representative government. Woodrow Wilson in 1885 doubted the permanent usefulness of representative government. I am not so sure that the present scene adds anything to our belief in the usefulness of representative government, at least as we have it now. We are in a world that is different from the one in which it was devised."

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In addressing a conference on politics at Princeton University a month earlier, Dr. Moley trenchantly observed that "what we need is guts from those in public positions."

In June, of 1931, Dr. Moley, in addressing the Associated Alumnae of Barnard College, jibed at politics as "drab" and "second rate," candidly announced that

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woman suffrage had not elevated political standards, expressed renewed doubt that weight of numbers gave the best political results and jocosely suggested "teas and lectures" as competitors of the polls in election day interest with unwilling, uninformed and trivial voters.

"We would have," he said, "better government *if fewer people voted*. We have learned that . . . the more numbers you have, the more foolish the result is likely to be. The new era in government as represented by Woodrow Wilson in 1912 has disappeared."

This address, parenthetically, provoked a rebuke by *The New York Herald Tribune,* which Republican organ termed Dr. Moley's attitude "defeatism."

"As a blanket reply to his pessimism," said the editors of *The Herald Tribune,* "we suggest the classic retort of Old Bill: 'If you knows where there's a better 'ole why don'cha go to it.'"

In a reply to *The Herald Tribune,* Dr. Moley said in part: "The form of democracy is satisfactory only in so far as it permits those who want to participate to do so. If we stretch the word democracy to mean that the ignorance and indifference of the world is to be aroused to activity as well as the active selfishness and altruism, we are simply inviting the expression of opinion by people whose opinions can never be based on anything except frivolous, irrelevant or inconsequential things such as the religious faith of the contestants, the cut of their clothes, the social graces of themselves and their families, their views on non-governmental questions and other items interesting but irrelevant. . . . My view could more properly be called a recognition of reality than 'defeatism.'"

Although Dr. Moley holds "get-out-the-vote" campaigns to be insidious and, in 1912, supporting Woodrow Wilson, opposed the Bull Moose fervors with respect to the initiative, referendum and recall, he regards himself as an orthodox Democrat. In a private letter elaborating his position he wrote: "I think it is worth noting that democracy in a true sense does not mean merely the expression of public opinion through some mechanical means such as voting, but it is, in a sense, a faith, a way of life, and, above all, a recognition of the fundamental belief that human values and abilities are not to be found in any one class, however carefully selected, but are scattered throughout the mass of human beings quite generally, and, therefore, that the only way to gather these human values together is through broad educational and political opportunities."

In his book, "Training For Popular Government," Dr. Moley laid down his views explicitly. Democracy he defined thus: "It means that there shall be no legal distinction between one man and another. In the exercise of political power they shall participate on equal terms. And the purpose of human government shall be to bring from all classes, high and low, the best talent that exists in every one. If special privilege stands in the way of this, it must be eliminated and if the elevation of one or a few lessens the opportunities of others, all must be levelled. This is no soft doctrine that can be modified when it hurts someone. It is as inexorable as the very processes of nature. It is the religion of a race of strong men."

He saw democratic education leading toward a time when the "rulers will be all the citizens, not a favored few. . . .

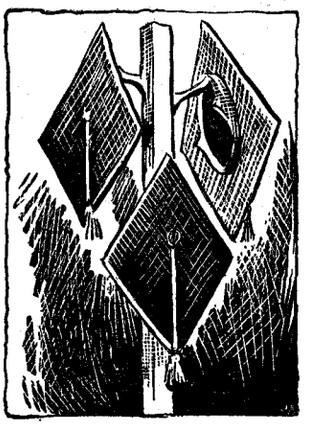
"The failure," he explained, "of the 'merely educated' classes to meet practically every great political crisis of modern times is the best evidence of this need for a distinctly democratic type of training. . . ." By definition, this is the kind of training he suggested: "To understand the instincts under which people act, to put aside cant, tradition and taboos and view government as a very human and imperfect machine upon which much experimentation must be made, to know the facts of history not the golden image of the past with which conservatives deceive themselves, to believe in the illimitable capacity of man for education: these are the marks of political sophistication and the minimum equipment of a statesman in the modern world."

Dr. Moley further paid his respect to the conservative mind in this passage: "The person who fears that democracy is impetuous, easily becomes radically inclined, is curiously enough the conservative who knows only his own sort of people. He believes in a sort of political and social original sin. He is afraid to take an honest chance with human life. And it is in this very respect that the conservative is to be distinguished from the progressive. The conservative believes with Machiavelli that the fundamental nature of man is bad and if released will, like Satan, roam through the world seeking destruction. The progressive believes the opposite and calls constantly for the liberation of the human instincts. And between these points of view the politics of the world is probably always destined to be fought. In one case it is fear, in the other faith. And this dependence upon faith is one of the inevitable conclusions to which the progressive political thinker must come. His decision in most things must leave the field of political facts and be made on ethical principles."

And, last December, in Cleveland, Ohio, Dr. Moley —"the most constant and apparently the most trusted member of Mr. Roosevelt's consultants on economic and international topics"—predicted, in a newspaper interview, an era wherein technicians would play an ever larger part in political administration.

"The trouble with much of what is considered knowledge in political science," he was quoted, "is that it cannot be used. Its premises and conclusions are cock-eyed."

Manifestly, it would be unfair to associate Dr. Moley's frank suspicion of democratic methods of decision with Mr. Roosevelt. Nor, standing alone, could the utterances rightly be construed as committing the Presidential adviser to the desirability of a dictatorship; that gratifying governmental arrangement which so swiftly translates formula into fact. We are, however, entitled to examine the publicly-expressed opinions of the President's right hand man —and to file the same for reference.



If Dr. Moley found himself dissatisfied with the technique of political

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expression and administration, Dr. Tugwell, for his part, is not at all comfortable with the economic status quo. In an address entitled "Discourse in Depression," published in the autumn of 1932, Dr. Tugwell condemned every measure taken by the Hoover administration toward resolving our economic dilemma as having been weighted "with reference to the protection of privilege" and "dangerously conservative."

The economist proposed "drastic income and inheritance taxes," which would take income from one class and supply it to another in order that buying power be restored; large scale public works and organized Federal relief for the unemployed—and "the taking over by the Government of any necessary enterprises when their profits are absorbed by taxation!"

In phrases of chilled steel, Dr. Tugwell derided the Hoover administration and Wall Street.

"The frantic attempts of the administration to rescue the financial system from the consequences it deliberately risked—not for social, but for private reasons—approach the comic in view of the expressed horror among all these gentlemen of 'governmental interference' with business. What that phrase means, evidently, is that the Government must not interfere when business is winning its gamble; interference is only legitimate when the gambling devices betray the manipulators.

"Besides, there is good reason to suppose that all the necessary financial functions might be performed more efficiently by the Government itself. It is possible to view the disappearance of the whole private banking system with a good deal of equanimity."

Elsewhere in that address, Dr. Tugwell voiced impatience with the moral tone of the present state of capitalistic, competitive society. In discussing the case of the economists who, recognizing the evils all about yet fail to embrace some brand of collectivism, he said:

"Moreover, as it seems to them, the regime of laissez-faire, with some modifications, might be made to work far more justly than it does at present. Even if we are to have periodic stagnation, that is no reason for allowing the incidence of distress to fall so heavily on the workers as it does now; and farmers ought not to be required to bear the outrageous burden they have so frequently staggered under. There is nothing inherent in laissez-faire which requires the fortunate folk of society, whose incomes are sufficient for their needs in any case, to manipulate legislation in such ways as to escape most of the penalties involved in the working of a system which is maintained to support their functions and to protect their privileges. This is poor sportsmanship. But it is more than poor sportsmanship; it is short-sighted. Such ruthless exploitation, such ungenerous grasping, may finally engender revolutionary attitudes, if not during this depression, then during some succeeding one. And why should it not, since so little is conceded to sympathy, to justice, or even to a stable future? Only in emergencies, when fright is in the air, are some few concessions wrung from a reluctant governing group."

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Further citations could be presented, but these illustrate the boldly advanced character of the President's expert counsel. If we were to reason from what we know of the Brain Trust's views, and assume that they had been adopted by and controlled Mr. Roosevelt's rationalizations, we had better prepare at once for a transition from the politico-economic state as it appears about us into a socialized State capitalism. The assumption, however, is unjustified in the absence of, for one thing, similar expressions from the President. It is enough, for the purpose of better understanding the New Deal's background, to make note of the tendencies of the "three wise men" at Columbia.

And in that light, it is possible that the earlier, trust-busting Roosevelt may prove, by contrast, to have been the darling of Wall Street and the vested interests!

Precisely how much do the professors influence Presidential decisions? That is difficult to say. The advisers themselves, faintly resentful of the phrase "Brain Trust," are said to deny that they wield power in the accepted sense. They prefer to see their relationship as that of research aides. That may be true of Dr. Tugwell and Mr. Berle but it fails to cover the obviously eminent place of Dr. Moley in the Presidential arcanum. Throughout the interval between November and March, Mr. Roosevelt seldom held an important conference without the professor at his elbow. Upon both of his unprecedented visits to the White House, occasions hailed as the most historic conferences in the Mansion since the World War, Dr. Moley attended his chief. It was on one of these that the professor's shirtsleeved wit amused the President-elect, while leaving the sitting President apparently coldly unmoved.

Mr. Mills, Secretary of the Treasury, had referred to complaints over high expense bills for the keep of American delegates to international conferences.

"Can't the delegates bunk together?" Dr. Moley inquired. Mr. Roosevelt laughed heartily, Mr. Mills smiled, but Mr. Hoover took no notice of the interruption.

The other triumvirs, I am told, think of themselves as sounding boards for Presidential ideas as well as laboratory chiefs who test the ideas for soundness and technical objections. The President, it is said, propounds notions for them to chew over, submit to other experts and examine critically.

It is Dr. Tugwell's job to canvass the field of internal economics and such external affairs as the inter-governmental debts. Mr. Berle, who belongs to a law firm in addition to teaching at Columbia law school, is charged with implementing the ideas. A creative constitutional lawyer, he has been devoting himself to a study of proposed legislation with an eye to its legality and prospects of passing the Supreme Court's scrutiny.

What manner of men make up the Brain Trust? All three are youthful. Dr. Moley, the oldest, is only 46. Dr. Tugwell is 41; Mr. Berle a year younger. All are of old native stock. Dr. Moley is a native of Ohio, Dr. Tugwell of upstate New York, Mr. Berle of Boston. By a seeming coincidence, although they are young, slender and supple, none of the three is interested in competitive sports or games. They read for recreation as well as professionally. Dr. Tugwell is immensely pleased that a critical article from his pen on the works of Thomas Hardy is being published this Spring by a Columbia review. On the walls of Dr. Moley's office at Barnard College three photographs hang. One is an autographed likeness of Mr. Roosevelt; the others are,

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respectively, of Baudelaire and Verlaine. Mr. Berle is the son of a Congregational minister.

Dr. Moley, who has advised numerous commissions engaged in studying crime, assisted Samuel Seabury in the Magistrates' Courts inquiry in New York city, once referred to Police Commissioner Edward P. Mulrooney of New York as a "swell chap" and believes judges should work eight hours a day, disclosed himself to a European fellow-traveler on one occasion as the possessor of exotic, not to say recondite tastes. He enumerated his choicest recollections of a European journey to wit: a moon sailing over Budapest, Mont Blanc seen from a Geneva cafe, goulash, gypsy music and Tokay wine. Asked to verify the list by an interviewer, he replied that he could not tell one wine from another.

The friendship between Mr. Roosevelt and Dr. Moley dates back several years. When the President entered the campaign for the nomination last Spring, he informally appointed Dr. Moley chief of his technical advisory board. The political scientist drafted his friends, Tugwell and Berle. Presently, their names appeared in dispatches as frequent visitors to Albany and Hyde Park. They sought out and submitted data for campaign speeches, which Mr. Roosevelt himself dictated in final form. They labored over policies respecting the tariff, farm relief, the railroads and European governmental debts. Politicians came and went, statesmen of greater and lesser magnitude, but the experts were in unremitting service.

It would be pleasant to record that the selection and toil of these three, the first professorial faculty ever to be attached to a Presidential administration, had aroused the unstinted approval of their colleagues and the body of intellectuals generally. But it is indeed not so. Professional rivalries boil as hotly in academic groves as they do in show business; and the rise of the Brain Trust to worldly eminence has not regaled certain of the textbook professorate. Such envious manifestations, may however be accepted as an incident to great opportunity.

And, whether the expertising professors themselves see their role as impressive, or secondary, others have remarked its significance. As for example, the *New York World-Telegram* which said editorially before last November's election ". . . the advanced thinking of the student, which from within his own mind guided Woodrow Wilson, promises again to have a profound influence upon the trend of events in the American government and nation. A strong leaven of this ought to be valuable to a country looking for a new light out of darkness."

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So We Hired the Money

By Rt. Hon. Wedgwood Benn, P. C., D. S. O.

The Rt. Hon. Wedgwood Benn, P.C., D.S.O., D.F.C., and former member of the British Parliament and Cabinet, presents a British viewpoint on British-American war debts. See also Talk of the Nation, page 54.

THE MOST REMARKABLE THING about the American Debt Problem is the air of friendly commonsense in which it is being approached. It contains, indeed, much easy material for what is called "plain speaking." The European orator can urge the Partnership and Common Aim, the strain of 1914-17 with its almost intolerable losses. The American can point to the post-War muddle and greed, to Reparations and Armaments. He clinches his argument with the plain, unmistakable contract willingly undertaken, the burden of which, as he would say, is now to be slily slid onto his shoulders, although he has always declined any so-called war compensation, Reparations, Mandates and the like.

This sort of talk, though it contains much that is real and true, in fact gets us nowhere today. Two things only are worth remembering. The one, that Europe eagerly sought and gratefully accepted help from the United States; the other, that it is possible that a new, and hitherto unappreciated problem in world trade is created by the attempt to carry through a chain of War Debt payments: in a word it may be true to say that payment is not a simple matter of "yes," and "no," but that it is infinitely complicated and may produce for the creditor unexpected and even unwelcome effects.

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The position of Great Britain as expositor of this view has a weak, and a strong side. It is weak because it happens to dovetail so neatly with her political policy. It is weak because whilst denouncing Protection she has herself adopted it. But it is strong because the British Government on the Debt Question has practised what it preached, for (leaving out of account any share of German Reparations) the Balfour Note proposed a net loss on paper to Great Britain of over three billion dollars, or nearly as much as she then owed the United States.

Having treated the question of good faith as fairly as I can let me now attempt some answer to the questions which our creditors are putting—as they are well entitled to do. The first is embodied in the familiar phrase "They hired the money," and comprises two arguments: one, that the principle of contract is at stake; two, that *money* was borrowed and that money borrowed in good faith must be returned.

First, as to contract. There is certainly no country in the world that stands to lose more than Great Britain if the sense of international financial contract is shaken. She has lent billions overseas and her invisible exports are a vital part of her trade balance. A case immediately in point is the default on the Irish Land Annuities, but the question of commercial contract is ultimately involved and that is by far the most important. Furthermore, no Government in Great Britain has ever been elected more definitely to defend the lending and investing interest than this so-called National Government. Undoubtedly their one preoccupation is to avoid default. Default established as a principle would be their ruin, and it is a desperate effort to avoid a June default that has led them in making the December payment to ask for early negotiation and agreement; although it must be admitted that viewed from this side of the Atlantic the latest utterances of the British Chancellor seem clumsy enough.

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The second point in the first question touches the word "money"—"they hired the *money*." And this leads me to a very brief examination of what really happened between 1914 and 1931. Before America entered the War (with such decisive results) Great Britain was the Banker to the Allies and had lent them about three-and-a-quarter billion dollars. After April, 1917, Great Britain continued to lend and at the Armistice stood creditor for a total of 6.7 billions; but by then she had also become a debtor to the United States for 3.6 billions. So that in fact from the American entry till the Armistice, Great Britain lent about as much as she borrowed. Her proposal in the Balfour Note for all-round cancellation involved therefore *on paper*, excluding German Reparations, a loss twice as heavy as the gain. I mention this not because it represented a quixotic action on the part of Great Britain; on the contrary, she believed that her gain in trade recovery would outweigh any bookkeeping deficit.

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So far we have been accepting the implication of the words "they hired the *money*"; but, in fact, Great Britain received no money at all. What the Allies took, and what alone enabled the war to be sustained on the material side, was the products of American factories miraculously multiplied, diversified and adapted. Here again let me set out simply the facts. Before America entered the war the Allies bought and paid for supplies in the United States to the value of 3.2 billion dollars. These purchases, of course, were not financed by loans from Washington. They necessitated market loans, the disposal of American securities held by Allied nationals and the sale of gold. After April, 1917, Government

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loans were available for purchases, and from that source Great Britain expended in America up to November 1920 the sum of 5.3 billion dollars, almost wholly spent on goods, munitions, cotton, cereals, foods, etc. These goods were vital to an Allied victory and of course their passage was subject to no obstacles at all, such as tariffs and similar barriers.

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Were the task of the British no more complicated than to return the value received, that is to send back goods the same as, or equivalent to, the goods taken, the task would be difficult, but not impossible. The budgetary burden would, of course, be heavy, but our manufacturers at least would rejoice to go back to the prosperity of war-time and produce on Government account large quantities of goods for which an overseas destination was assured. But the organization of modern manufacture behind tariff walls permits of no such direct discharge of the British obligation. It is amazing, but it is true, that, as things are, the free gift of four billion dollars worth of commodities from one country to another is not a boon but a disaster! To sum up: the loans were loans of goods passing along a greased track to the battlefield. Their return in a similar way is impossible, as witness the Emergency Act of 1921, the Fordney-McCumber Act of 1922 and the Hawley-Smoot Tariff of 1930.

Just one other point before leaving the question of goods or money. Price must be remembered.

It is stated* that the European debtors were scheduled in 1926 to remit to the United States the sum of approximately 210 million. On the basis of the price index of the United States Bureau of Labor that sum represents today 500 million, which means to say that for the goods borrowed over twice as much material must be returned.

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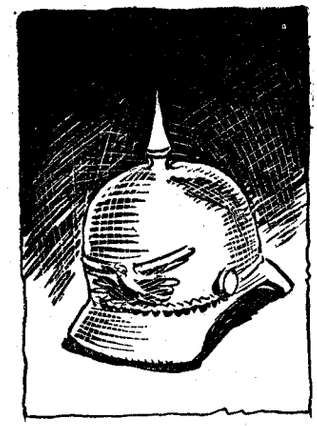
There is a further question sometimes put which puzzles an Englishman. I have been asked why Great Britain *refuses* to return to the Gold Standard. I am certainly not qualified to attempt a scientific, exegetical reply. But the question itself is perplexing. To us it seems plain that gold as a medium of exchange is out of the picture for the simple reason that its machinery has been hopelessly overstrained. It was intended as the measure, and not the material, of exchange. International trade and payments are really exchanges of goods, and if goods cannot get across, gold certainly cannot take their place. For this reason alone the old system has broken down. But the question has peculiar poignancy for ministers of the late Cabinet of which I was a member, for that Cabinet fell in 1931 on this very point. It was considered axiomatic—that is a mild word—it was almost an Article of Faith that Great Britain must remain on gold, and because the then Government could not obtain the means to do so, it fell. The new Government was created to preserve the Gold Standard, and yet was driven from it. This is merely stating the facts and not attempting to pre-judge the future of world currency. Unquestionably Great Britain has no means of returning at this moment to gold and is where she is not wilfully but from *force majeure*.



And now, before touching on the question of the coming Conference, a word as to what has really been happening these last fourteen years. At the end of the war, public opinion in Europe was utterly ignorant on the subject of international transfers of wealth. In his book "The Economic Consequences of the Peace," Maynard Keynes was a true prophet, but his warnings were little heeded. The Election in England of 1918 was a patriotic orgy. "Make Germany Pay" was the Credo of almost all the candidates. Sir Eric Geddes, brother of the one-time British Ambassador at Washington, uttered the famous phrase: We will squeeze them "till the pips squeak." "Ton for ton" was another slogan. Germany was to replace every ship she had sunk. Art treasures were to be taken in payment, and Mr. Horatio Bottomley, a great patriot of the time, wanted the Army marched to Berlin to put the job through. Mr. Lloyd George himself added a succulent tit-bit in the form of a promise of a public trial of the Kaiser in London. In 1919 when the Prime Minister was at the Peace Conference in Paris, it was rumored in the House of Commons that he was thinking of letting Germany off lightly. In a couple of hours a telegram had been dispatched, signed by 200 Government supporters, telling Mr. Lloyd George plainly that even his immense majority would disappear should he weaken.

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If this was happening in England there was a far stronger feeling in France. To such heights did it rise that finally, as will be remembered, default in the delivery of a few pit-props in 1923 led to the occupation of the Ruhr, the beginning of acute disaster for Germany and the world. I mention these recent phases of history to show that ten years ago even well-informed opinion in Europe regarded Germany's failure to pay as not due to economic law but merely as an example of her continuing state of moral obliquity.

The next stage was what might be called the era of organized fulfilment; the Dawes plan and the Young plan. It began to seem as if within reason these vast international payments could be made and that the economists' arguments were really false. Considerable payments were actually credited. Let me take two countries as examples: America and Germany. According to the Economist's tables the Allied and Associated Powers received between 1919 and 1931 on account of German Reparations £625,000,000—not bad in the circumstances. Further, up to July 1, 1931, the United States received on account from her debtors (who, of course, were Germany's creditors) 2.6 billion dollars. All this looks quite workable and satisfactory.

*These and other figures from the London "Economist" Nov. 12, 1932.

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But now consider the revelations of the Wiggin Committee. They showed that in the years named Germany had had *no export surplus at all.* On the contrary, she had received 6.3 billion Reichmarks more than she had paid. They further showed that Germany had had in loans mainly from the United States and Great Britain 18 billion Reichmarks. "Hoax" is a strong word, and it would be better to say that these international payments have been "bookkeeping transactions."

It is true that the loans to Germany represent holdings and, in normal times, value; but their price today shows that the structure of international credit will be shattered if submitted to such strain. A final illustration: from the date of the British Funding Agreement in 1923 up to 1930 America was supposed to receive 2 billion dollars on War Debts account, while in fact she had in the same years an actual creditor balance of 5 billion dollars.

There is no getting away from it; ultimate payments must be made in goods or services; and as things are organized at present wealth in this form from overseas merely adds to the suffocation of over-production and under-consumption.

It remains to consider whether the creditor position of America in the coming discussions can be used to further her real advantage and the advantage of the world in general. When the right moment comes it seems to me that substantial benefits might be secured in two ways; by extending the area of international trade and by relieving the burden of international armaments. Economic difficulties of European governments, especially the smaller ones, difficulties largely produced by pressure to make inter-state war-payments, have produced a positive frenzy of tariff and currency restrictions. Something must be done to flatten down the trade area. The position of the British Government itself is open to legitimate criticism. It has used a Parliamentary majority, acquired for other purposes, to carry out a Conservative policy of high protection. But this, of course, is a domestic affair. Then followed Ottawa where the Government's bias towards Imperial economic self sufficiency led to agreements tying the hands of British negotiators and complicating the task of future conferences. The Ottawa Agreements today involve not only good understanding with the British Dominions but are also so essential an article of faith to the Conservative Party in Great Britain that adjustments which might be necessary are for them very difficult. They might even involve the life of this National Government, a point worth bearing in mind by those American observers who earnestly desire to see a happy solution of the present difficulties.

There is one line of thought which permits of no more than a hint. If a real move were made whereby the United States, Great Britain and the Dominions concerned could effectuate arrangements, by tariff adjustments for mutual increases of trade, it would be but one more example of the good that can come to the world from an understanding between the two peoples.

Finally, as to disarmament. The one clear step taken since the war has been the formal abolition of Anglo-American Naval competition. It is true that the Treaty of 1930 merely set down on paper what had long been a fact but it was, none the less, significant. If the British naval problems were confined to the oceans they would vanish; but it must be remembered that there is involved in the policy of disarmament by agreement the question of "the narrow seas." The decisions of Germany, France and Italy are not without meaning to a power concerned in both the North Sea and the Mediterranean. This, however, I can say with confidence: the great mass of British opinion yearns for decisive steps in disarmament, and a belief that America intended to press for it in connection with war debt settlements would, indeed, be welcome news to the public at home. America and Great Britain together can give a lead to nations whose backwardness may be due to bitter memories, which we have never had, of an invaded fatherland.

Many problems in the past have threatened to disturb Anglo-American friendship. They have all disappeared when tackled in good faith and with a sense of proportion. We have not been speaking here of things really great. The sum involved is but a sixth of the recent decline in United States Income Tax receipts alone. If, by getting the question of international debt transfers out of the way, we can aid the revival of normal commerce, it will be something.

Above all the matter is not of such magnitude that it should be allowed to weaken what is the greatest steadying force in the world, namely, a good understanding between America and Great Britain.

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An Adventure in Diplomania

By Martin Sommers

When diplomats fail their task passes into the hands of soldiers. Martin Sommers, former United Press correspondent in China, tells what diplomats sometimes do, and happen to be doing, when war breaks out.

AT 10.30 O'CLOCK the night before, the troops of Imperial Japan had seized Mukden, official and commercial heart of Manchuria. . . .

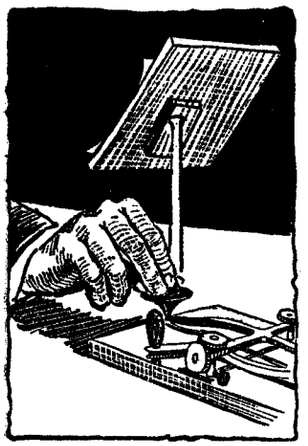
It was still warm enough for Singapore slings on the verandah of the Peking Club but for once, on the afternoon of September 19, 1931, nobody was there to drink them.

The biggest story since the Boxer Rebellion was breaking in North China and everyone had gone to the Peiping Legation offices of United States Envoy Extraordinary and Minister Plenipotentiary Nelson T. Johnson, a knowledgable, practical, shirt-sleeves servant of his Government—a rare bird in diplomania.

His Excellency, red-faced, perspiring, and inwardly troubled, was outwardly calm because twenty-five years of service in China had taught him that the best you can expect is bewilderment. Nevertheless, the situation was exceptionally puzzling, even for China.

. . . . The arsenal at Mukden was in flames, Chinese troops were fleeing toward Peiping, and the Japanese were pushing northward in Manchuria toward the internationally dangerous environs of the Russian border. Yet fourteen and a half hours after the Japanese struck, Minister Johnson had received not one word of information from the American Consul General's offices in Mukden. Helpless, Minister Johnson looked out his window at the Marine Corps's 200-foot radio tower, erected after the Boxer Rebellion as a sure means of communication in just such emergencies. Marines were on duty there, ready to pounce on a dot or a dash, but none came.

Meanwhile Washington, D. C., ding-donged at Minister Johnson for information, quick, accurate, official. So far as the United States Government knew officially all was quiet in Manchuria.



I left Minister Johnson to take the first train which left Peiping for Mukden after the Japanese seizure of the Manchurian terminal. Nobody knew how far the train would get, with the Japanese reported stopping and grabbing everything beyond the Shanhaikwan end of the old Great Wall. But Demaree Bess, a rare combination of competent newspaperman and student of Far Eastern affairs who was directing operations for the United Press in North China at the time, thought it would be a good bet to have a correspondent aboard this first special, official train. It developed he was right for I was the first American correspondent to reach Mukden after the Japanese captured the city.

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Along the way, during our 32-hour journey to nobody knew what, there were discoveries. I discovered the "hardships" which war correspondents undergo most of the time. I discovered, from members of our motley crew aboard, what at least some foreign powers thought of the American foreign policy in the Far East. And I discovered the answer to Minister Johnson's dilemma.

The "hardships" were perhaps the greatest shock. A buffet car, open all day and all night and reserved for our exclusive use, was stocked with cartons of the four most popular American brands of cigarettes, six English varieties, bottled beer from Germany, brandies and vintage wines from France, four or five kinds of Scotch whiskies, and an electric refrigerator filled with steaks, roasts, pheasants, and venison. There were plenty of fresh decks of cards, poker chips, and gliding boys ready to whisk away an ash as quick as it hit the table cloth. And two expert Chinese chefs were on duty all the time, to say nothing of the combination valet-porters who took care of our clean European sleeping cars.

For these "hardships," inquiry revealed, we were indebted to young Marshal Chang Hsueh-liang, the golfing and gambling incompetent who inherited all Manchuria from his brigand father, bloody old Chang Hso-lin, and then lost it to the Japanese. Marshal Chang, who had completed an opium cure at the Rockefeller Foundation Peiping Hospital, remained in safe seclusion on an entire floor of the hospital for weeks after he was in good health, for reasons best known to himself. Less than an hour after the troops of Dai Nippon took from him control of his great fief, he heard all about it in telephone communications from Mukden operatives. As soon as he learned that the British directors of the Peiping-Mukden railroad were sending a special train for themselves and war correspondents, he ordered that his own car, and the full resources of his larder and cellar, be placed at the service of the foreigners, whose friendship had become extremely valuable.

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As I sipped my Chambertin with my venison that night I took a last look at my youth's mental picture of a war correspondent. He'd been a bearded, gaunt fellow, generally with frozen ears, who lashed his pack mules over the wastes of North China while bandits took pot shots at him and his surly native guides plotted to betray him

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into the hands of kidnapers. He had no place on that train.

Naturally, with the advantages at hand, we were a cheerful crew. A pretty German woman, Frau Lotta Errol, correspondent for the Ullstein Press, presided over our beer and brandy circle in the buffet car, and demanded, at intervals of ten minutes, whether it was true that Soviet Russia had declared war on Japan. Albert Nachbaur, witty Frenchman, life-long friend of Aristide Briand, and Havas correspondent in the Far East, sat beside the German woman, responding to her questions with amusing fairy tales. Dr. Herbert Müller, expert on oriental art and representative of another German news syndicate, chuckled at both.

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Even William Steele, the giant British superintendent in charge of the railroad, and a railroader in China for thirty years, managed to laugh, although he didn't know whether he had a railroad left, or not. Maurice D'Alton, representing the *Manchester Guardian* at the time, and George Gorman, correspondent of the *London Daily Telegraph,* both Irishmen (your English newspaper still prefers Irish journalists), asked Steele what he intended to do when, and if, our pioneering train reached Mukden.

"Tell the Japs to keep their war out of my way and let me run my railroad," said Steele, who was to become the railroading hero of the Far East through the job he did in keeping the Peiping-Mukden railroad running during subsequent months.

Chinese correspondents, who decided discretion was the better part of journalism and turned back before we reached Mukden, made up the balance of our press party. The only other passengers aboard were a few quiet and serious military attachés of France and Great Britain, keeping their eyes open for the first of the Japanese expected to board our train somewhere along the line.

Then it was that a French military observer gave me his slant on my country's foreign policy. He was very excited over the Manchurian development and told me what he thought ought to be done.

"Why," he reasoned, "by spending $5,000,000 on the border of Manchuria and Russia, judiciously—you know, wisely—by hiring a few Russians and Chinese with guns—your government could get the Soviet and Japan into a first class war. Whether Stalin wanted it or not he'd have to go.

"The war would last five years, maybe. We'd all sell the combatants all kinds of things, *hein?* And our world depression would be over for this time."

I explained that even if such a cure for world ills could be made to conform to my country's ideals, the budget of the United States provides no funds such as France's *Les Fonds Secrets,* which always are passed without question by the Chamber of Deputies and which so effectively financed the Separatist Movement in the Rhineland. The Frenchman apparently did not believe I was being frank.

"But your Rockefeller gives so much money for what?" he wanted to know.

Early sunny next day cheering crowds of Chinese greeted us at way stations. Our popularity remained a mystery until Superintendent Steele, bustling back to the train from a session of reassurance with his station master, explained. It seemed the Chinese "mosquito papers," the equivalent of our jingoes, had been made to flame with stories that the world's benevolent Aunt Samuella already had decided to come to the rescue of China and exterminate the Japanese. As a result swarms of coolies hailed us as the vanguard of the American Army General Staff, or something.

Then about twelve hours and 200 miles outside of Mukden the answer to Minister Johnson's dilemma overtook me. John Carter Vincent, the Acting Consul General at Mukden, boarded our train at a junction far from his post. He was very distressed.

Vincent told me he was left in charge at Mukden while Consul General Merl S. Myers was far away at sea, on leave. Vincent wanted to make a trip into the interior over the week-end. He had suspected the possibility of trouble over the murder of a Japanese officer, Captain Shintaro Nakamura, while the latter was doing spy work on leave in Manchuria. So Vincent had asked his friends the Japanese diplomats if there was any possibility of Sino-Japanese trouble during his week-end of absence. His friendly rivals in the game of field diplomacy had assured the Acting Consul General there would be no trouble during his absence. He had taken their word for it.

Two Vice-Consuls in their early twenties, one in China a year and the other there only a few weeks, were the only representatives of the United States Government in Mukden when Japan seized the key city of Manchuria, Vincent's recital revealed.

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Our train arrived at Huangkutun, suburban station serving as a terminal because the Japanese had torn up the tracks of the main Mukden depot, at 2 a.m. on the morning of Monday, September 20. We were advised to remain aboard the train until dawn because Japanese civilians had been given rifles and were patrolling the streets with fixed bayonets. The military observers advocated taking this advice, pointing out that when given arms civilians with grudges are always quicker to act, and more ferocious in action, than trained soldiers. Vincent alone pushed out for his Consulate.

Next morning, as soon as the Consulate was open, I arrived seeking information. Vincent was closeted with Major Ryonasuke Watari, chief propagandist of the Japanese South Manchuria Railway. The American Consul General was getting information from Major Watari as well as receiving apologies, since the night before he had been seized by Japanese sentries, searched, and finally released after an hour's expostulation.

I talked with one of the young Vice-Consuls. He was chaffering with a grinning Chinese clerk. He amiably explained the joke. It appeared he was checking over his accounts for visas, certificates, stamps, etc.; and they were in error to the amount of fifty cents. Funny thing was, he related, there was enough cash in the till to account for all the stamps sold, yet there was a stamp over. While I waited, the Vice-Consul and clerk checked over the accounts three more times, but they always finished with the proper amount of cash and a stamp to the good. Black magic, what?

So I went to Japanese military headquarters and got a story. There was nowhere else to go for one.

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Mr. Dirksen, (R.) Goes to Congress

There will be many new faces in the next Congress. That of Everett M. Dirksen, of Illinois, who gives the following account (his own) of the making of a Congressman, will be one of these. See also Talk of the Nation, Page 54.

By Everett M. Dirksen

ON THE EIGHTH DAY of November, 1932, strange things happened in the Sixteenth Illinois Congressional District, of which the city of Peoria is the center. It was election day and I happened to be a candidate for Congress.

A report was current that a gentleman named Roosevelt was a candidate for the Presidency. From unimpeachable authority, we had it that he was running on the Democratic ticket. Certain it is, after verification by the Secretary of State, that I was a candidate on the Republican ticket. When the ballyhoo of election day had subsided and the last split vote had been counted, there was disclosed an exhibition of impartiality on the part of the electorate of this district that will long stand as a model of its kind. We—that is Mr. Roosevelt and I—had each received a majority of approximately 23,000 votes, which proves that strange things can happen in other places besides Denmark. I do not begrudge Mr. Roosevelt his splendid majority in a normally Republican district, but he might at least have come into the district and kissed a few babies. Why leave all those delightful tasks to a candidate for Congress.

Three weeks after this edifying exhibition by the voters—edifying to Mr. Roosevelt and I but not to my Republican confreres—I returned from a vacation to behold a desk piled high with letters, telegrams and messages. It seemed an eloquent and inspiring reception but an immediate examination disclosed that it was a task and not a reception that awaited me.

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That agglomeration of mail contained first of all 259 assorted congratulatory messages. Some of these were of the right-handed variety, expressing the conviction that within six or eight years, I was certain to be elevated to the Presidency while others of the left-handed order expressed a deep and abiding sympathy for an inexperienced, thirty-seven year old Republican Congressman who was soon to venture among a heavy majority of Democrats who were supposed to have developed certain cannabalistic proclivities for raw meat since the Democratic landslide. There were 26 brochures and prospectuses from hotels and real estate firms in Washington, D. C., inviting earnest consideration of everything from a room and bath for $100.00 per month to a beautiful estate overlooking the Potomac that could now be purchased for the unusually low price of $700,000, with a down payment of only a quarter of a million. There were 34 applications from young men and women, who had served so long and so faithfully as secretaries to Senators and Congressmen but who were now left high and dry because of the unsuccessful attempt of lame ducks to swim against the tide. There were 17 applications for postmasterships, 131 applications for state jobs, 22 detailed suggestions for bills to be introduced in Congress as soon as I stepped off the train in Washington, 12 applications for appointments to the United States Naval Academy and 19 for the Academy at West Point (touchdown for the Army), besides the many requests for increases in pensions and compensation, for aid in securing citizenship papers, and to have the Department of Labor suspend the operation of the National Origins Act long enough to bring a number of relatives over from other countries. There were also requests for donations and a host of letters seeking immediate endorsement of various "causes" such as are embraced by the Society for the Advancement of Esperanto, the Four Per Cent Beer League, the Association for the Conservaiton of Wild Canaries and others.

This immediate rush of business more than three months before my name was to officially appear on the rolls of the House as a member of Congress established to my immediate satisfaction that there was no depression in the domain of public service and perhaps inspired some misgivings as to the magnitude of the demands that would come later. This postal reception also served another purpose. It was the first time for realization and the end of anticipation and somehow the reflection which it occasioned caused a cavalcade of memories to troop across the horizon of fancy.

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I had been a candidate for Congress in 1930. The ambition to sit in Congress is probably similar to the "flu"—everybody gets it at some time or other. While it had been lurking in my system like some deadly virus, it did not become virulent until 1930. The first step was to resign my office as one of the District Commanders of the American Legion in the Department of Illinois. It may be of interest to know that a candidate for political office, or any elective or appointive official who receives a salary, cannot hold office in the American Legion. Accordingly, I appeared before the Executive Committee and resigned. Pressed for a reason by the Department Commander, I announced my intention of seeking the Republican nomination for Congress.

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The Commander laughed. So did my comrades on the Committee. So did I.

When my wife learned of this strange desire, she began to watch me in a covert way, expecting any moment that I would become violent. Friends passing me on the business thoroughfares would look back, shake their heads and assume an air of pity. Some, more intimate and more heroic than others, prompted by motives of pity and friendship, called and pointed out that my opponent for the nomination had been in Congress for eight years, that he had wealth, and age, and dignity and dollars, and newspaper and machine support and in fact everything. They indicated that I had none of these and that I was too young to go to Congress.

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It made me feel like one of the Christian martyrs in the Roman arena, looking up at the populace and saying, "I who am about to die, salute you." But while my distinguished opponent seemed to have all the attributes so necessary to political success, like Achilles he had a vulnerable spot. He represented a district that in pre-Prohibition days paid more revenue on whiskey and spirits than any other district in the state. He was in fact a distiller and had made his money in that business. Despite this fact, he had voted for the celebrated Jones Five and Ten Law and that was enough. In addition, there were sufficient local issues upon which to build a campaign and I set to work.

A Congressional campaign in six counties stretching over an area 120 miles long, in which the candidate must write all his own advertising matter, do all the handshaking, and make all the speeches, when carried on for four months becomes a nerve-racking ordeal. Thirty pounds of weight quickly slipped away and I became something of a ghostly political crusader. At first, there was no particular disposition to take my candidacy seriously. My opponent remained blithely in Washington, looking after the affairs of the district. My telegrams to him, requesting that he return and engage with me in a series of debates remained unanswered and I continued to belabor his record to the delight of audiences who like dash in a campaign. Finally, Destiny made a gesture in my direction. One of the newspapers published a rather lengthy and highly embellished report of a meeting in which I and an attorney, who had taken the stump for my opponent, developed a display of political pyrotechnics such as characterized the campaigns of other years. It was a happy bit of publicity and from then on the meetings were crowded with voters.

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My candidacy now became serious. Friends and business associates of my opponent suddenly manifested a deep interest in his behalf. They began to meet, to confer and to organize. Full page advertisements began to appear in the newspapers and the campaign became an intensive battle.

It was quite natural that the intensity of the struggle should breed some form of innuendo, carried on by means of whisperings and designed to encompass my defeat. They began to whisper the news that I could do nothing in Congress, if elected because I was only a "truck driver." They alluded to me as "the baker boy from Pekin." Fortunately or unfortunately, it was true. For a livelihood, I worked at the dough bench with other bakers in our shop, making cookies and rolls

and bread, or engaged in driving a truck, delivering toothsome doughnuts, coffee, cakes and bread to retail stores. A menial and altogether plebian occupation. Utterly lacking in dignity. What a travesty it would be upon the dignity and importance of one of the wealthiest and most diversified congressional districts in the country, to be represented by a baker and truck driver! The fact that I had a University education, that I had served honorably overseas, had served my city as its Commissioner of Finance and had ample business experience was to be glossed over by the fact that I was only a "truck driver" and a "baker." This new turn of affairs was disconcerting to say the least, because so many voters were still confirmed to the view that Congress was only one step removed from Olympus and that a Congressman should be a happy combination of Apollo, Jove and Croesus. I found consolation in the fact that a noble character once sprang from the prairies of Illinois to go to Congress and also became a President, whose attributes were those of a rail-splitter and a humble store clerk and thus the campaign waxed hot to the very end. Out of 55,000 votes I was defeated by 1,155.

The morning following election, I encountered a newspaper man. "What are you doing?" he asked.

"Campaigning."

"But the election is over."

"And another campaign is just beginning."

"You mean that you are a candidate two years from now?" I nodded. "Is that for publication?" he asked.

I nodded again and so my name found its way on the primary ballot once more in the spring of 1932. This time, I solemnly warned the voters that if they failed to nominate me this time, it would become necessary for me to re-appear two years hence with the same request. Day in and day out, I continued to meet the voters and address meetings. This time, there were a great many opportunities to appear before the voters in a nonpartisan, non-political capacity addressing Farm Bureaus, Luncheon Clubs, Women's Clubs, Lodges, Churches, Conventions, Dinners and Schools. They knew that I was a candidate, and it was unnecessary to talk politics. These meetings served the purpose of meeting the voters and when the primary of April 12th, 1932, was over I became the Republican nominee by a majority of 2,570.

Winning a nomination for office in the spring primary was of less concern than the ominous possibility of a

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Democratic victory in November. Long before the primary petitions were filed, I was reflecting seriously upon the arduous and nerve-racking effort that must go into another primary struggle with the bitter probability of losing in the general election. As early as January of 1932, friends were already speaking in terms of Democratic landslides and giving currency to the sentiment that actually crystallized in November. Anyone could clearly discern this tendency and it was highly annoying. To wait two more years before seeking the nomination meant the loss of a certain prestige that had been so painfully constructed by years of effort while to proceed and be successful in the primary, meant possible defeat by a combination of elements over which no candidate had any control. Here, I was, face to face with that actuality and I set myself resolutely to the task of fashioning a political philosophy that would stand fire under the trying circumstances of the November campaign.

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A certain normal, and shall I say defensible, selfishness now became manifest among many Republican candidates for office. They sought to retain the support of Democratic friends and yet wished to evince a certain party regularity and a desire to do something in behalf of the state and national Republican ticket. Yet with unemployment increasing, with banks popping throughout the country and with business stagnant, what could one say in behalf of Herbert Hoover and against Franklin D. Roosevelt that would have any appreciable political effect? How could one successfully apologize for Republican leadership when the nation was bleeding from the wounds of the depression? Moreover, what could one say against the Democratic candidate for governor of Illinois, when in strict fact, he was a clean, honorable, and upright citizen who for sixteen years as Probate Judge of Cook County had carefully administered more than three billion dollars for wards of the court without one penny of loss and who was something of an authority on sociological problems as well? Too, many of the candidates on both state and county tickets, were close personal friends and it seemed wholly unfair to say or do anything to injure their candidacies that might be dictated by political differences and considerations, rather than from personal conviction. It was a difficult problem in political strategy and quite often doubts arose as to whether it was a sound and ethical course.

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I distinctly recall the occasion when, at an outdoor picnic of one of the Ward Clubs, I first enunciated this political philosophy and assured the voters that our problems were economic and appealed to citizenship rather than partisanship. I had no stomach for hurling real or fancied charges against the Democrats nor could I convince myself that they were so bad and incompetent as to require a thorough disinfecting before they were prepared to sit in the seats of authority. This seemed eminently acceptable to Republicans who intended to vote for Roosevelt and to Democrats who intended to vote for me.

But such seeming political equivocation was not lost on the ardent Republicans who cherished the traditions of a Spartan regularity and believed in heaping coals of fire upon the heads of all Democrats. In late September at a mass meeting sponsored by four counties, more than 20,000 people had turned out to hear the Hon. Arthur M. Hyde, Secretary of Agriculture, expound the Republican doctrine. I was privileged to speak to much of that same group and in the course of the address, had occasion to express my sincere admiration for Woodrow Wilson and to enumerate some of the constructive achievements of his administration. The next morning, I was cautioned by a number of Republicans to forget that Mr. Wilson ever existed, for while he might have been a great President, such statements had no place in political strategy.

About ten days before the election, it was announced that President Hoover would be in Peoria and speak briefly from the platform of his special train. The announcement was hailed with genuine delight by all Republicans. Preparations began at once and when the President arrived, a crowd that was conservatively estimated at 75,000 people gathered along the Illinois River to receive him. Secretaries Richey and Newton both characterized it as the greatest crowd that ever appeared at a railroad station. As a candidate for national office, my share of the preliminary program consisted of a fifteen minute address on national issues. After surveying and appraising that immense crowd of people, some instinct dictated that they were assembled to "see the President" and not by their presence to indicate that they intended to vote for him. It was to be sure a difficult situation. To laud Herbert Hoover might mean the loss of hundreds, yea thousands of both Democratic and Republican votes. To speak casually about him might offend the sensibilities of those who felt that a party candidate should always be willing to die for the dear old party and in this dilemma, I spoke of the Washington Bi-Centennial.

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To all this and to the anecdotes that crept into the short speech, there was a most enthusiastic response and I felt quite happy. But when the Presidential special arrived a few minutes later, that vast crowd was even more than respectful and dignified. They were sedate and reserved. They were everything but enthusiastic and the Republican leaders were gloomy and disconcerted over the lack of spontaneous applause that should characterize a Presidential reception. It was an ill augury of Republican destinies and I too felt some misgivings. Meanwhile my esteemed Democratic opponent was beseeching the voters to give Mr. Roosevelt a Democratic congress and so the Republican electorate marched to the polls on election day, as full of assurance as the little boy who whistles as he passes a cemetery after dark.

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There was a tremendous outpouring of voters on that day. Two years before, the combined vote for Congressional candidates was slightly less than 70,000. This time, it reached an all-time high of 112,000 voters

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and quite naturally, I was elated to think that the voters displayed such rare discernment in selecting good men for public office—including me. On the day following the election, I definitely severed diplomatic relations with the dough bench and the bakery truck from which I was privileged to step forth and don the toga of a national legislator.

What can a young, inexperienced, Republican Congressman, divested of all patronage, do for his country and his district in the midst of a three to one Democratic majority? That question has often been asked. It is a stimulus to individual ego and conceit and might easily prompt a recital of good intentions and noble resolves. While this situation has its disadvantages, there is compensation in the fact that it permits much time for study and constructive attention to legislation. The function of the minority party is, after all, in the salutary influence which it can exercise in resolutely opposing things which are fundamentally wrong and supporting those measures which are right. Under such circumstances, opportunities for service are certain to arise. In 1846 when Polk was President, Illinois was represented in the House of Representatives by seven Democrats and one Republican. That lone Republican served only one term in Congress and yet that term produced an opportunity which elevated him to high station. He was Abraham Lincoln.

The belief is still extant that a loyal party man will oppose everything which the other party proposes, right or wrong. This is the doctrine of regularity carried to a vicious extreme. I do not believe that such political gospel appeals to the citizenry of this country, particularly at a time when high taxes are eating out the nation's substance, when court dockets are congested with farm and home foreclosures, when millions of unemployed are in a state of moral desperation, when banks continue to evaporate and business is in the doldrums. This is a time for the exemplification of citizenship and Americanism rather than partisanship, else how can we make any hopeful degree of progress out of this economic cataclysm.

Our present problems are ethical and moral as well as economic. No one will contend that within this nation we cannot find men with sufficient vision and knowledge to fabricate feasible and practical and constitutional measures for the relief of business, agriculture, banking, transportation and other enterprises. The real problem lies in effecting a subordination of individual and group interest and in ironing out the real and fancied conflict of interests to the point where such measures can be inscribed on the statute books, and that problem is ethical rather than economic. The lush days of prosperity seem to have created within us a total incapacity for sacrifice yet how can we reach firm ground without it.

Now is the time for a new political credo. The New Deal requires moral and ethical as well as economic retrenchments and it will hold out a glorious promise only when those in political life will resolve that they can serve their constituencies best when they serve their country best.

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Are There Too Many of Us?

By Louis I. Dublin

Any plan for prosperity must consider our future population. Louis I. Dublin, Ph.D., Vice-President and Statistician of the Metropolitan Life Insurance Company, reports on a ten-year study of American population, which reveals some startling facts about our future.

REVOLUTIONARY CHANGES are taking place in the population of the United States. Few, even in high places, in government or in business, realize how far-reaching these are. How many know, for example, that the present generation is not reproducing itself; that in only a few more decades we shall reach our maximum numbers, likely never to exceed 150 millions; and that the internal shiftings of our age proportions will seriously change our population from one that is predominantly young to one that is predominantly old?

These changes will have necessarily the greatest bearing on the future influence and prosperity of our country. I propose in this brief statement to bring into relief the results of a ten-years' investigation of our population problem with the hope that statesmen and business men, as well as the public generally, will begin to understand the character of the situation which is developing. It is high time that those responsible for our future planning take into consideration the plain realities in regard to our population rather than cling to those grandiose dreams of America's future on which we grew up.

The old ideas will die hard because they still seem to be supported by the facts. The Fifteenth Census of the United States, made in April, 1930, recorded a population of 122,775,046. The increase in the ten years since the previous count was in excess of 17 millions, the largest in the history of the country. The population was next to that of China, India and Russia, the largest in the world. We are still growing rapidly. What then is wrong with us on the population front?

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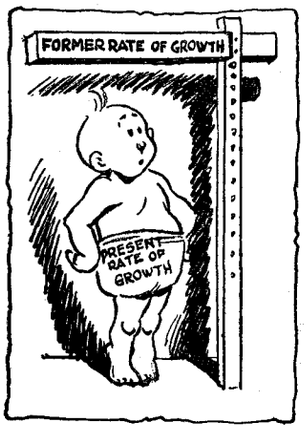
But it was also true that the *rate of growth* during the last ten years was about as low as for the preceding decade when, because of the World War and the influenza epidemic, it was the lowest for any ten-year period in the history of the country. The increase, moreover, was very much concentrated into the earlier part of the decade. Thus, in 1923, the country grew by about two and one-eighth millions, while in 1930 the increase was under 1,200,000. The present decade is still young, but it is already clear that the tendencies of the last twenty years are becoming much accentuated. In 1931, for example, the numerical growth in population was only approximately 800,000. With possibly one or two exceptions, we must go back at least 65 years to the period immediately following the Civil War before we find a year when the increase was so small. At that time, the country was less than one-third as large as it is now. A new trend in population growth has obviously set in, and it will not be long before its effects will be evident to everyone.



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The change is due primarily to two forces. First, there is the striking fall in immigration resulting from our restrictive legislation and more recently from the depression. Far from any increase from this source, actually over 120,000 more people left the country in 1931 than entered it. Certainly, there is no indication as yet of a reversal which will convert the current losses into gains. Second, we have the ever diminishing excess of births over deaths, the so-called natural increase of population. Thanks to birth control propaganda and to the increasing urbanization of our people and all that goes with it in changing habits and attitudes, the birthrate here is repeating what has happened in war-distracted and disillusioned Europe. The fall is precipitate. Even in the last ten years our birthrate has declined nearly 25 per cent, while the mortality rate has remained fairly stationary. The figures for births would look even worse if our population were constituted with reference to age proportions as in older and more stable countries. When the next Census is taken in 1940, there will be many new surprises. The increase in the ten-year period will be comparatively small, probably only half as much as in the last decade. The best guess is that our population will not exceed 131 millions, instead of the 140 millions of the earlier, and what seemed like reliable, estimates. I can well recall attending a conference of business leaders, economists and statisticians only a few years ago when a program of automobile production for the present decade was outlined on the assumption that the population would increase each year up to 140 millions by 1940.

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These are some of the facts which should be disquieting to those who have been in the habit of thinking of America as an enormous reservoir of people. Especially to certain business leaders who until recently thought only in terms of continued expansion at the old rate and who built up the productive facilities of their plants to meet ever increasing consumer demand, have these newer tendencies in population growth caused serious concern. They now ask what is in fact the real outlook for the future population of the United States. Are these changes only temporary slips resulting from depression? Will there be an upturn with improvement

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in business and a return to the old optimism and enthusiasms of the people? Or is the future pattern of reproduction definitely set, and are we to look henceforth to continuously slackening growth with a stationary population at a comparative low level only a few decades off? These are not academic questions. On their answer will depend the policy of industry, the demands of labor, and the general planning of a successful economy.

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To understand what is likely to happen to America's population, we must get underneath the present figures and take stock of what has actually been happening during the past thirty or forty years. We have for a long time lived in a fool's paradise so far as our population is concerned. Our numbers have grown so fast that very few have given much thought to the problem. A few have even recommended the spread of birth control knowledge as a necessary corrective to an increase beyond our resources. Our studies, however, show that the situation is very far from being as rosy as the crude figures of the Census would lead one to believe and that there is in fact no ground for the expansionist and inflated conceptions which have generally prevailed.

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This analysis of population growth has demonstrated that our unprecedented increase in numbers was primarily due not so much to natural fertility as to external causes. We are predominantly a young people. The immense immigration of the last twenty or thirty years not only swelled our numbers but gave us a huge reserve of very fertile people at the ages of parenthood. The native population, living largely on the farms, was also much more prolific than it is now. The result of these two forces over a period of many years was not only greatly to increase our numbers but also to exaggerate the proportion of our population at the reproductive ages. This disproportion of people under age 30 has operated to cloud the picture in two ways. It has reduced the deathrate, because mortality is low at the younger ages, and has, at the same time, given us more births than we were entitled to on the score of the current fecundity of our people; that is, the average number of children born to a marriage.

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Our studies show that quite apart from the prevailing birthrate, which is very misleading, the number of children to a completed marriage has arrived at a point, namely, just under three, where the population no longer reproduces itself. The true birthrate is now below the true deathrate. In other words, were it not for the disproportionate number of persons at the childbearing ages, which we find for the two reasons given, the number of births on the basis of present fecundity would be a little less than the number of deaths according to present mortality. The excess of births over deaths, which still amounts to about 900,000 a year, would be completely wiped out were it not for the effect of this artificial and temporary condition of a favorable age distribution. It is this alone which gives us a false sense of the adequacy of our childbearing.

Our studies point out also that this artificial condition is rapidly changing. Our immigration figures show a sizeable negative balance. They will probably become worse before they get better. The best we can hope for is stabilization of immigration. And the birthrate cannot continue to fall indefinitely; it must, sooner or later, become stationary. When these two things have happened, the temporary bulge in the age distribution which we now have at the childbearing ages will have become smoothed out and the population will then be entirely dependent upon the existing fecundity, unaided by accidental irregularities in the age distribution.

We shall then see without confusion whether the birthrate balances the deathrate. Our analysis shows that in spite of the excess of our recorded birthrate over the deathrate of about seven per thousand, amounting in absolute numbers to 900,000 annually, we are really registering a small deficit. Our "true birthrate" crossed the line of our "true deathrate" last year. Unless basic conditions change, the deficit will grow larger and larger until even a tyro at figures will be aware of what has been happening. But then it may be too late.

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The present rate of decline in the birthrate cannot continue unabated without the obvious consequence of early race suicide. I hardly believe this will happen when the facts I have related above become the common property of all of us and especially if they sink into the consciousness of those who are blindly indulging their philanthropy by offering unrestricted birth control as a universal panacea. On the very conservative assumption that the birthrate during the next seventy years will decline only to 14 per 1,000 from the present level of 18, and that the age distribution will become more truly balanced, I estimate that the population of the United States will touch its maximum of 154 million in 1990 and will thereafter slowly decline. But on the more likely assumption that the birthrate will ultimately decline to ten per thousand, the population will reach its maximum of somewhat less than 150 million about 1970 and will then go into a rapid decline. It should fall to 140 million by the year 2000; to 109 million by 2050 and 75 million by 2100. I believe that this prognostication is very likely to be realized if present tendencies toward very small families continue to prevail.

The most significant part of our analysis relates to the changes which will occur in the age distribution of the population at each succeeding decade in the process of readjustment I have described. There will be a continued and marked drop in the proportion of young people, in the number of infants, of children in the schools and up through adolescence to age 20. There will be a corresponding increase in the number of older

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persons, that is, those 50 years of age and over. If we carry the figures to 1950 and assume even a moderate decline in fertility, those under 20 will constitute 29 per cent of the population as against 38.8 per cent in 1930. Those over 50 years will make up over 25 per cent as against 17.1 per cent, in 1930. And if we project our estimates further into the following generation, when we shall have arrived at the stationary population, the differences will be even more marked between the proportionate numbers at the younger and at the older ages. The proportion of persons under 20 will be approximately 26 per cent, and of those over 50 years, 35 per cent. We shall then give every appearance, not of youth and all that goes with it, but rather of age. We shall be a much older people.

These estimates, which by this time have been carefully checked and confirmed by students of population, will make a totally different kind of world for us to live in. Industry, in the past, has been geared to an ever increasing local market for goods, the *psychology* of the nation in the past has been altogether an expansionist one. We prided ourselves on the fact that we would be the greatest people in the world, greatest in numbers, in riches, in our capacity to produce and consume. This attitude reflected our youth—the energy and exuberance that goes with a preponderance of young people. There is obviously to be a cruel awakening, and this awakening will come soon. We shall then all realize that America, like other nations in the past, has had its day, has reached its peak and in response to the very forces let loose by its prosperity and its greatness has begun to decline. It is the old story all over again. As nations have grown in power and wealth, they have invariably indulged in selfish pleasures at the expense of children and family life.

It will become increasingly necessary for business men to readjust their programs of production in conformity with the slackening increase of population during this and the next decade, and, later on, with stationary and even declining numbers. This will prove a hard task because our business men have always operated in an atmosphere of expansion. Yet, there will be no escape. Our industries today are almost universally overbuilt. Our factories can make much more of everything than we need and certainly much more than we can sell, whether it be automobiles, clothes or shoes. Our farmers can and do produce much more food than we can eat, more cotton and wool than we can use. The result has been waste on a huge scale. When three years ago the clouded atmosphere of universal inflation cleared away, we found our storehouses glutted, and we now suffer all of the consequences of unemployment and its attendant evils. It will be some time before our population will have caught up with our enlarged facilities for producing goods. And equally important will be the adjustments necessary to create the kind of goods demanded by a population in which the middle aged and the old will increasingly predominate.

The note which I have struck is, however, not necessarily a pessimistic one. Even if we are to be a nation of only 150 millions, that alone need not send cold shivers down our backs. A healthy national morale can be maintained at such a level. It is vital, however, that we shall not permit our numbers to fall much below this figure. We have the natural resources and all of the necessary facilities to provide for such a number, or a much larger number, on a very high standard of living. We owe it to ourselves to maintain at least this minimum. If, under the conditions of a persistently falling birthrate, our population should diminish more or less rapidly to the 100 million mark and then later to the 75 million level, the consequences would be appalling. We should then be a beaten people, burdened with unused facilities and a crushing overhead, stifling our economic development. Our national conduct under such conditions would before long show all of the stigmata of defeat and disillusionment. America, which has held out such high hopes to humanity, must not fail the world in this manner.

With numbers properly adjusted to our facilities and resources, we can enjoy a well-organized society, free of such obvious maladjustments as poverty and the disordered organization of our productive machinery. We need not be driven like mad men with excessive work at one time and, later, languish during long periods of unemployment. The problem of prosperity will be on the way to solution if we know clearly the kind of a nation we shall be in the next generation or two, the numbers and their age distribution. We shall then be in a position to utilize our people effectively for the work there is to do. It should not prove difficult to foresee the needs of a population of 150 million, constituted as I have indicated above. We need only employ our matured men and women for short hours for what each can do best; our youth must be permitted more time for education and training for life, on the one hand, and our superannuated, on the other, can be provided with decent care to enjoy their passing years. Here is a problem in national economy well within the powers of our leaders to solve.

The destiny of America will, in the last analysis, depend upon the character of our people, on their moral standards, on their enthusiasm for life and on their desire to preserve the preëminence of their country in the comity of nations.

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Our National Relief Policy

By W. M. Kiplinger

The R.F.C. has, to date, given 163 millions to various states for local relief. The operation and future of this system of Federal charity is described by W. M. Kiplinger, expert Washington observer and head of The Kiplinger Washington Agency.

DO WE, or do we not, have a national relief policy?

The answer is, We do and we do not. We have a hastily cooked-up policy which has sufficed for somewhat less than a year. It involves Federal government advances to states and cities which can demonstrate the inadequacy of their local resources. The number of these cases is growing rapidly. This causes pressure to modify our national policy. We may be at the point, therefore, of swinging to some new national policy.

Experts in relief problems already understand the implications in the shifting policies, and it is of the utmost importance that these implications be understood also by laymen.

This discussion is directed to laymen, and is written by a lay observer of things governmental. It represents only a bare outline of some of the chief problems in the relationship of the Federal government to relief, and does not cover details of the actual local administration of relief.

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Let us endeavor to be hard-boiled about this relief business. To be hard-boiled is no merit, but it is an antidote for the soft sentimentality which rises easily within us and which tends to obscure the practical aspects of administration. Let us regard relief as a job, a big job, a hard job, on which general public attention is not yet sufficiently penetrative. If we do the job well within the next year, we shall avoid a generation of grief, and to whatever extent we do the job slovenly, we shall pay many times over. And our children will pay.

The grievous spectacle has crept upon us and grown in magnitude while we were not prepared. Even yet we are not prepared.

For perspective, remember back a few years when news items regarding something called unemployment and the dole came to us from Germany, England and other countries. Most of us regarded it as a European phenomenon of only vague interest to us here in solid America. Yet today we have the thing with all of its European intensity. We are mystified and we are still experimenting.

A majority of laymen have assumed that unemployment and relief constituted a temporary problem which would disappear at some time in the near future when the depression lifted. This is still possible, but it is not probable. It is reasonable to suppose that we shall have to settle down to the idea that relief is a job which will be with us for years, and on a large scale.

Never forget for a minute that relief is an obnoxious thing. It is expensive for the donors, for it deprives them of substance which otherwise would be used for their own development. But it is far worse for the recipients, for it breaks down their self-respect, their initiative, their free-citizenship. The longer it continues the worse it becomes for them. Relief, then, is a palliative, essential in the emergency, but dangerous and bad in the long run. To regard it in this light is fundamental.

Let us ask and answer, in run-of-mine fashion, some of the questions which pop up frequently these days in the minds of laymen and which are reflected in Washington agitations over our future national relief policy.

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First, what is the map shown on the next page? It is a map of the United States, with the shaded portions representing states or localities which have obtained advances for relief from the Federal government, through the Reconstruction Finance Corporation.

What does the map mean? Frankly, it doesn't mean much, except to those who are administering relief. It is merely of passing interest. The reason is that the shaded areas are growing so rapidly that within a few months nearly the whole of the United States will be shaded. The map of the near future will mean, therefore, that a very large proportion of the states, counties, cities, villages, and neighborhoods in America will be receiving relief funds from the Federal government in Washington. Already the figures on families supported in part by Federal funds are startling, but let us avoid figures, for they require long technical explanations.

How much has been paid out? Up to Feb. 1, the R. F. C. advances were 163 millions. By June 30 these probably will be 300-400 millions. In the year starting next July 1, they probably will be 500 millions more. In the two year period of which the present is the approximate middle, Federal advances for relief will be not far short of 1 billion dollars. (To get a sense of proportion, remember that the annual Federal budget normally is around 4 billions; public debt costs a billion; veterans cost a billion; army and navy cost about ¾ billion.) The Federal relief funds represent only a small portion of the total national relief bill, for they have been merely supplementary to state and local funds.

What are the terms and conditions? The ordinary procedure is for the state governor to apply for help for his state, or for certain localities. He must certify that funds available from other sources are inadequate. This is a galling experience for state governors, and it is sometimes referred to as a "pauper's oath." He must

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file a detailed statement or budget of just how the funds are to be used. The money costs 3 per cent. It is not a "loan." It is merely money "made available." It is deductible from future Federal allotments to states for roads. This sets up the relief interests against the public road interests, and is considered bad by many authorities, who feel that relief should be handled on its merits, and that highways should be considered on merits, without being Siamese twins.

There is no uniformity about the advances as among the various states. The biggest borrowers have been Illinois, Pennsylvania, Michigan, and Ohio. Recently New York came belatedly into the picture.

Will the advances ever be repaid? Ah, this is a very delicate question. Anyone who knows the course of governmental affairs and the pressures of politics knows that the sums will not actually be repaid. At some future time, years hence, they probably will be washed out by a huge bookkeeing transaction.

Should distribution be on the basis of population? This point has been at issue in Congress recently. One proposal, in the Costigan-LaFollette bill, was to make 40 per cent of all Federal relief funds available to states in accordance with their respective populations, with a check imposed by the requirement that these Federal contributions be matched against state or local funds under a specified ratio.

The argument for this is that it makes for speed in the pumping out of relief funds, that speed is essential to prevent a complete breakdown of relief machinery, that the need is everywhere. The argument is based on the assumption (unexpressed) that "the sums will never be repaid anyhow," but will be adjusted equitably under some formula to be devised in the future.

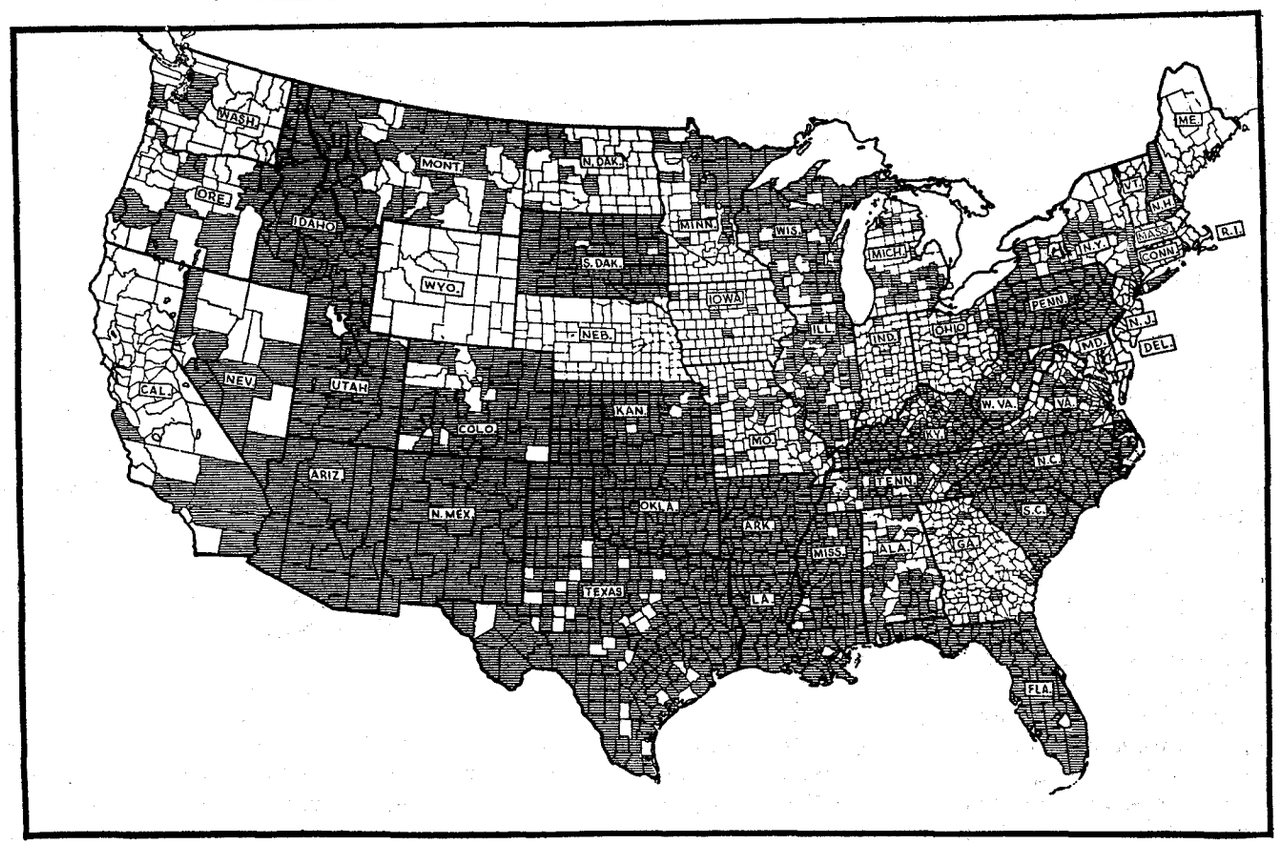
An argument against distribution of funds on the basis of population is that it encourages wastefulness. States and localities would accept Federal funds, whether they needed them or not. They would relax their own local efforts, not only to raise funds but to develop ingenuity in devising jobs. Furthermore, many regions do not yet have suitable organizational machinery for distributing relief, and to dump money suddenly into these communities through their local politicians would make "feast-now, famine-later." This lack of organization is especially notable in the agricultural regions.

Most social workers favor the speedy distribution of funds on the population basis. On the other side it is claimed that most social workers are from the cities, where the relief machinery is well organized, and that they are unfamiliar with the serious lack of facilities in the rural districts.

What government agency should handle relief funds? There has been controversy over this. Social workers, in the main, want a new government board of three, with experienced social workers in charge. They feel that we must move rapidly toward the creation of more social machinery to administer relief.

The other view is that distribution of Federal funds should be left where it now is, in the Reconstruction Finance Corporation. It is felt that the R. F. C. can

THE SHADOW OF THE FEDERAL RELIEF DOLLAR



Shaded portions of this map show the areas for which funds had been made available by the Reconstruction Finance Corporation under Title I of the Emergency Relief and Construction Act of 1932, *to the close of business February* 1, 1933.

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coördinate direct hunger relief with all the other forms of indirect relief. It would be more "business like." (Some social workers complain that the R. F. C. in the past has been too "tight.")

How does the system work under the R. F. C? It rests largely on one man and a small organization within the R. F. C. The one man is Fred C. Croxton, of Ohio, an industrial relations specialist of long experience, a quiet, modest person of the "conciliation type." He deals with the state governors and their representatives. He checks their reports of local situations, family needs, etc. He may find them accurate, or inaccurate. Often he feels that the authorities are asking far too little for certain communities, and he persuades them to raise the ante. In other cases he persuades them to pare down their requests.

Much of his work is in helping to set up proper organizations for distributing the relief; it is extension work quite as much as lending work. Governors have coöperated well, with one or two exceptions. His recommendations are passed on to the seven R. F. C. directors for action. In practice they have approved them. The thing seems to have worked well, with a minimum of machinery, and with a maximum of expedition.

Incidentally, it is significant to note that Mr. Croxton claims not to be interested in relief *per se*. He is interested in relieving the causes of distress. He feels strongly that the whole scheme of relief ought to be tied up with ideas on what to do to make jobs to make relief unnecessary.

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What about work relief? This is a means of passing out small sums for subsistence and getting some kind of work in return. The emphasis ordinarily is not on the work, but on the payment. Normal wages are not paid.

There appears to be both merit and danger in many forms of local work relief. The merit is obvious,—it is better than mere dole. The danger lies in the fact that projects may be undertaken and carried on interminably, with starvation wages, not free wages. Those who receive the relief sometimes are forced practically into peonage, instead of being free workers. Wage scales have been beaten down thereby. National policy must avoid the dangers here.

Are we, in fact, on a dole system? Yes, in some localities, the system amounts practically to a dole. Reports are received indicating that relief payments have been received for so long that men who receive them no longer care to work. This has been true in certain portions of the South, among Negroes. (And it is not limited to any one race.)

Is there, after all, merit in the dole? Some British authorities feel that the cheapest way of taking care of unneeded surpluses of labor is to pay the dole. This is not a common view in America. Here we recognize that the dole destroys character, and is a drag on the wage scale. We want it only for the emergency of today. Once again, relief is a palliative, not a cure.

What about private funds? There are less and less of them. Estimates of the total of relief now furnished by private contributions range between 5 per cent and 10 per cent. Around 90 per cent comes from public funds, collected by taxation or public borrowing, which ultimately must be repaid through taxation. Relief has passed the stage where it may be regarded as a private responsibility. It is now mainly a public responsibility, to be dealt with by governments. This is not an advanced view or a "liberal" view. It is orthodox and factual.

Taxation systems of the future are bound to bear more and more upon the upper and middle classes. Even a year hence the taxes which we Americans will be paying will be much heavier than today. This is particularly true of Federal taxes.

What about public dependents? It is a fact that the proportion of our population dependent on payments of some sort from the government is growing. The proportion of voters who might be tempted to vote in favor of such payments is increasing. Perhaps the situation is not yet alarming, but it is a point to be borne in mind. It suggests the advisability of fundamental social and economic reorganization as rapidly as possible, as a substitute for staying satisfied too long with mere relief.

Are responsibilities local, state or national? This is a theoretical question. Some persons put the emphasis on local, some on national. Actually, practically, by any standard you may choose, it is all three. The depression is not local, but national. At the same time the national machinery can never be a substitute for local machinery, local responsibility. For purely practical reasons it seems advisable to try to put the emphasis on local responsibility, and to regard national responsibility in the light of an auxiliary.

Will Federal credit break down under the relief load? Local credit has broken down in many places. State credit, on the whole, is still reasonably good. Federal credit is the strongest of the three, thanks to good Federal fiscal administration in past years.

The financial element in this country fears a breakdown of Federal credit, however, if borrowings for relief and other purposes continue as in the past.

Most government authorities feel that government credit can be stretched further, that it will be strained, but that it will not collapse. It is easy to see, however, that every dollar going into direct relief is a fiscally wasted dollar, and that dollars and efforts put into projects which actually will set business wheels to going are better-spent.

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Recapitulation: We have a national relief policy, but it is in the fluid stage and needs the close attention of all citizens, both relief givers and relief receivers. Federal relief is a fact, and will continue to be a fact. Federal taxes in future years will be on the up-and-up.

Distribution of Federal funds must, for practical reasons, strike a balance between liberality and caution, or checking. The precise formula for accomplishing this is yet to be worked out.

We need more relief machinery. We need more social workers to administer, help and advise. But social workers should not dictate, for social workers, like all other professional classes, tend to magnify their own functions. Laymen, in a large sense, should control. Laymen, therefore, should become better informed.

Even with Federal aid, relief is not adequate and never will be adequate. It is futile to talk about adequacy. Mere biological necessities such as food and clothing and roof do not represent living standards.

Relief is no decent substitute for jobs.

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DRURY COLLEGE LIBRARY
Springfield, Missouri

Our City Banks

By Edward Angly

Last month, Michigan, owing to the seriousness of the banking situation, had to declare a bank holiday. NEW OUTLOOK *presents the second of a series of articles dealing with the social and economic causes for the failure of more than* 10,000 *American banks during the past ten years.*

NEXT TO MISMANAGEMENT nothing has caused as many cracks in the American banking structure as the high-pressure expansion of the promoter spirit. Its steam is generated from greed and ambition. Synthetic enthusiasm and unreasoning optimism act as a supercharger. Among the thousands of promoters who posed as bankers, until their banks blew up, are many who plead that in their promotions they were merely demonstrating their faith in their country. Today, as in the time of Dr. Samuel Johnson, patriotism is the last refuge of a scoundrel. In its name one is asked to be lenient with stupidity, to forgive cupidity and to wink an eye at dishonesty.

It is small comfort to any one of the millions of depositors who suffered because of the 10,400 bank failures of the past thirteen years to be told by an ex-banker that he dissipated the depositor's savings by loans and investments made on false and inflated valuations of real estate or stock market securities because he didn't want to sell America—or the home town—short. Another of Dr. Johnson's observations, it will be recalled, was that hell is paved with good intentions. So are depressions.

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The pretentious promoters who got caught out on limbs because they sold the home town long and inflated it with credit were not the products of any one section, or of any particular size of community. Like sparrows, they were everywhere. Most of the bank failures, it is true, occurred, and continue to occur, in small towns and in suburbs. Yet the fact remains that there is scarcely a large city anywhere in the land that has escaped the shock of bank suspensions. Two years ago New York, fittingly enough, provided the loudest, and one of the most inexcusable, financial explosions in all the long, scandalous story of American banking. More recently Chicago, outside the loop, has seen dozens of little banks collapse while the Chicago district has witnessed banking blow-ups by the hundreds. Inside the loop, the city bankers howled to Washington for help and got it by the tens of millions of dollars. Only a few of the sixty-three so-called reserve cities have escaped the epidemic. Louisville, St. Louis, El Paso, almost any other of the bigger dots on the national map, has its own story to tell of banks that passed in the night.

Through the trade territories of these distribution centers are strings of little towns, whole blocks of counties, completely shorn of commercial banking facilities. In Illinois, Iowa, Missouri, Minnesota and many another state it is the daily experience of thousands to step out of a mortgaged home, get in an automobile on which several installments are still due, ride for a hundred or two hundred miles over handsome concrete roads that will wear out before bonds issued to pay for their construction have been retired, and pass through one community after another without seeing a solitary bank. In this village the community's one little banker froze to death. Here two banks went under. In the county seat, all three banks closed their doors. In scores of such communities the drug store has taken on another side-line. There, amid the aspirin, the automobile tires and the three-decker sandwiches, a solvent citizen, by paying a small commission, may cash a check drawn upon a bank in another community. Down the street the home town bank is as empty and desolate as the old saloon building used to be that year after prohibition went into what is laughingly called effect. There is hoarding in the home, barter in the market place and a growing distrust and resentment in the hearts of honest men.

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Now the trouble at Podunk, the apologists for the ex-bankers would have us believe, was that the Main Street bank was a one-crop bank. It put all of its eggs —which in reality were the nest eggs of its depositors —in one basket. It may have been the wheat basket, the corn basket, the cotton basket, the local factory's basket, or the neighboring coal mine. No matter what the basket, it was poor judgment, poor banking, to put all the eggs into it.

And what was the trouble with the bank that blew up in the big city that has Podunk in its trade territory? More often than not, that bank tried to carry too many baskets of eggs. Organized originally as a commercial bank, it went afield to compete with savings banks by having a thrift department. It took on investment banking, too. It set up a trust department, or perhaps a real estate affiliate. If it was big enough, it entered into competition with both brokers and underwriters. Day by day its officers violated the sound old adage that no bank should grant credit on other terms than those on which it receives credit. In spirit its directing head took on the airs of a realtor and shed those of a realist. He hired "front men" and "contact men" and "counsellors on public relations" and personable collegians with "connections," and sent them out into the highways and the fairways, the byways and the bunkers, to teach Tom,

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Dick and Harry how to get rich quick in speculations, how to acquire "equities" in bigger, if not better, enterprises. Like the cavalier in the Nonsense Novels the promoter-banker mounted his horse and rode away rapidly in all directions, instead of sticking to the straight, if narrow, path of commercial banking.

Suppose he did get his institution over-extended? Suppose his loans did become less and less liquid, more and more dependent upon a steady rise of stock market prices, a perpetual boom in real estate and building activities? The bank examiner might argue with him, the state superintendent of banks or the national Comptroller of the Currency might write him an admonitory letter—or a dozen such—but it was unlikely the supervisory authorities would go any further. Short of closing his bank—a guillotining process undertaken only in extreme cases—there was nothing they could do either to disgrace, or to discipline him. The directors probably wouldn't kick. More likely than not, some of them were borrowing all they could from the bank in order to get rich quick themselves. When finally the bank became patently and hopelessly insolvent and the State Superintendent or the Comptroller—depending upon whether it was a state or a national bank—shut the doors and appointed a receiver, the ex-banker told himself, and anybody else who would listen, that frozen assets were to blame.

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It is high time, I think, for someone to remind our thousands of ex-bankers and inform their millions of ex-depositors that no two assets have the same freezing point—unless, of course, they have been watered. Mercury doesn't plunge down the tube. It slides, by degrees. Nor do blizzards sweep out of clear skies. Always there are portents of approaching cold spells. Always there is time to go out in the yard and bring in to snug safety some of the pot plants, even after the tenderest of them have been nipped. The good bankers did that. They are still engaged in the banking business, and if they are worrying at all, it may be over no worse a danger than what loss they shall one day have to take on their government securities if the Federal, state and municipal governments continue indefinitely to live beyond their incomes. These good bankers didn't look to a cowboy columnist for enlightenment on world economic conditions. Nor did they rely on tips disseminated in a golf club locker room for their knowledge of "conditions," either at home or over the hills. They cudgeled their own brains. They devoted time to the tough art of thinking and let somebody else do the boosting. They said "No" now and then. With honesty they endeavored to be worthy of the confidence imposed in them by depositors. They embodied that plain integrity of conduct which the public has a right to demand from those who set themselves up in the business of accepting other people's money for safe-keeping and get their own livelihood by lending from this pool of savings to individuals and corporations that can legitimately and profitably utilize credit.

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It is these sound, surviving bankers who must listen in these days of discontent to constant complaints that the banker's heart reacts to the times; that he is entirely too soft-hearted in soft times and much too hard-hearted in hard times. The promoter type accuses him of "retarding the processes of recovery," because he declines to open wide the flood gates of credit and let his liquid assets irrigate a desert of defaulters. He is criticised by would-be borrowers because he doesn't follow the bad example of those who were his competitors yesterday, but who are now ex-bankers. The boot-strap economists would have him forget that the two bases of credit are profit and character. They would have him scatter the dollars of his still trusting, but nevertheless nervous, depositors among borrowers who cannot persuade him that they are likely to use the money profitably.

If a neighbor borrows your shotgun and a box of cartridges, promising to pay for the favor by sharing half his bag with you, and then comes home not only without any ducks, but also with a story that he lost the gun, you aren't likely to lend him another fowling piece the next day. Yet that is what some people, who believe prosperity may be "promoted," seem to think the bankers ought to do. A sound banker recently expressed the situation in another manner.

"One hears each day," he said, "howlings of complaint that banks are to blame for the continued shrinkages of the depression; that in refusing to make loans they show themselves to be out of sympathy with the sufferings of the people, their customers. In some ways a banker may be compared to a ditch-digger who has no other means of getting a living except that represented in his daily wage of $2 for digging ditches. On days when he doesn't work, either because there is no work to be done or because he decides to lay off, his income stops, absolutely and completely. Regardless of how much he may need bread and butter, there may frequently come a day, or many successive days, on which he feels it would be better to do without the wage than to court the dangers that would be involved in earning it. He may have a bad cold. It may be a day of sleet and rain. He may feel that if he did dig ditches that day he would risk catching pneumonia, which, at best, would involve a long, expensive period of illness, and, at worst, death.

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"Leaving out of consideration those various department store schemes of modern city banks and the profits that come from the merchandising of bonds—often of doubtful odor—a bank, I mean a real bank, has, like the ditch digger, but one source from which to earn its sustenance. That source is interest on loans—which includes money invested in bonds. If a bank, for any reason, stops making loans or buying bonds and merely accumulates cash, its income, out of which it must pay its current expenses and the constantly mounting tax bill, stops just as completely as does that of the ditch digger who decides not to show up for work when the

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boss blows the whistle. In the times through which we are now passing the requests for loans which would, if granted, put the bank in danger of contracting pneumonia come along far more often than do the opportunities to grant loans that seem sure to be repaid. With agriculture, commerce and industry all offering many losing propositions and few profitable ones, the safe and sound requests for loans which a bank receives are diminishing rapidly. No banker would be investing money in short term government paper at under one per cent. if he could find thoroughly reliable borrowers elsewhere who would provide him with the same assurance of receiving his money back when the obligation matured. But, inasmuch as a bank's first duty is to its family of depositors, it is an injustice to them for the bank to risk pneumonia by digging a ditch during a sleet storm."

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The social and economic changes which altered so many aspects of American life between Armistice Day and the beginning of the Great Headache eleven Novembers later compelled certain sharp modifications in traditional banking practices and encouraged others. The drift of population to urban centers, the spread of the chain store with a concomitant disappearance of individual retailers and wholesalers, the increasing concentration of wealth at the top, the merging of little industries into big ones and the enormous expansion of these latter, the spread of installment buying, the spawning of all manner of finance companies to supply credit to the buyers of all manner of articles, and the wild inflation, first or rural then of urban real estate, and, finally, the frenzy of stock market speculation, all these bittersweets were served in quick order to an army of bankers who had learned to eat their cake in an age of hitching posts, one-name notes and low-pressure salesmanship.

How did they deal with these strange new dishes? With changing conditions they had to alter the character of many of their assets. The temptation to keep up with the Joneses of commerce, industry and promotion unhappily led many a banker to change his own character along with his assets. Sometimes as the latter became less liquid, the former lost some of its solidity. The conservative old codger of yesterday became the reckless plunger of today. He began to gamble with other people's money, which is the quicket known method of getting rich, and is also the fastest way to go broke in the grand manner.

The chain store, the chain factory, the chain utility, all in their rapid growth altered the character of banking transactions. Prior to the war retailing was largely in the hands of individual merchants, no matter what the size of the town. The country banker financed the local merchant, or manufacturer, as he financed the neighboring plowmen. The checking account of the local merchant, or manufacturer, at certain seasons, provided the banker, when it was sizeable, with still another profitable source of revenue. But the chain-store which came to replace the local merchant is a nuisance and a potential source of losses to the country banker who has traffic with it. The chain store's separate units borrow nothing in their individual localities. That is the business of the chain's headquarters in New York, Chicago or some other large city. When a local unit makes a deposit in a neighboring banking house, a draft against that deposit is already on the way from the nearest district headquarters of the chain. Nine times out of ten the country banker who lacks the nerve to kick such an account out of his door will lose money in handling it. Along with the local merchant, the New Era brushed away in thousands of towns the small home-owned factory, the localized public utility. Manufacturing and the financing of manufacturing, distribution and its financing, all became more and more concentrated in larger centers. The funds of the country bank, with fewer safe outlets at home, tended to gravitate in increasing streams to the larger money markets. There they were but added drops in big buckets from which big corporations dipped out big credits. Thus passed the simpler system of a simpler day in which a banker loaned money directly to a man he knew, a practice in which the important personal imponderable called character played as influential a part as did a ponderable piece of paper called a balance sheet. With the proportionate decline of such man-to-man lendings came a relative diminishing of the personal responsibility of borrowers to pay back what they borrowed. When one large corporation is borrowing from another large corporation, no one man can be held responsible for what happens to the money.

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During the Dizzy Decade while strictly local commercial loans were falling off because commerce was becoming less and less a thing locally managed, loans to individuals secured by commercial paper decreased, while those backed by collateral—that is, by stocks or bonds—increased. The collateral loan takes a heap of watching on the part of the banker, much more than does the sound commercial loan which helps a farmer plant his crop, a merchant buy his stocks or a manufacturer acquire raw material. In a declining stock market a security can freeze very quickly, as so many millions have recently learned, nearly always to their sorrow, and sometimes to their insolvency.

The hog-wild enthusiasm over real estate and building construction was another danger signal which regiments of bankers ignored during the twinkling twenties. Many a state bank had already plunged into that tempting trough up to its neck when, in 1927, the Congress passed the McFadden bill, which permitted national banks to fling their funds into real estate promotions more freely and dangerously than they had previously been allowed to do. That bill also gave national banks permission to enter into the savings bank business on the side—a business which already was carrying hundreds of state banks to their graves. The officer of a national bank who had had sufficient trouble keeping his head while driving a one-horse shay—a purely commercial bank—now was given an opportunity to try his hands at a carriage and four.

As though this were not responsibility enough, quite a few commercial bankers gave their equipage a still more swanky air by acquiring outriders in the form of affiliates—investment affiliates, real estate affiliates, trust affiliates. Often the investment affiliate, set up to underwrite and sell securities, was born of a greedy desire to evade banking laws. Investment companies are not

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obliged to submit to the sort of supervision and control which the States and the Federal government have imposed upon commercial banks.

The degree of intimacy in the liaison between a bank and its investment affiliate varies in different states, depending upon the relative laxity of state legislation. Often, if the law permits it, the bank owns the stock of the investment affiliate. Sometimes the stockholder in the bank has one certificate which represents his holdings in both concerns. The stock of the investment company may be issued to the stockholders of the bank on a *pro rata* basis. Occasionally a holding company is chartered to control both the bank and the investment ally. In any case, the same little group of men are trying to be both commercial bankers and investment bankers, a trick which from time to time is likely to require the ability to juggle.

A normally innocent depositor likes to think of his banker as a fellow who sits back with thumbs in his galluses. Doing that, he can't juggle. But suppose his bank has an affiliate which is originating, or underwriting, or merchandising, stock and bond issues. Now and then the affiliate may find itself burdened with a certain issue of paper that customers aren't lapping up with avidity. If it were an independent investment house, it would have to stand on its own feet or lie as best it could on the bed it had made for itself. But in this case John X. Swank, the president of the Swank National Bank, is also the big noise in the Swank Investment Company. It is only human for him to have the parent bank provide first aid treatment whenever the young offspring burns its fingers playing with matches. He salves it with more credit than he would squander on a stranger's child. With fatherly forgiveness he may take over into the bank's portfolio some of those securities with which the green-horn investment child has been stuck. Furthermore, when an innocent investor who banks with Mr. Swank drops into the Old Man's office to seek advice about salting away a few thousands in securities, Mr. Swank can scarcely be expected to give the disinterested advice he used to offer when he was merely a commercial banker. It would be scarcely human if he did not suggest to the client something which his investment affiliate was handling. It is not inconceivable that he might even find himself saying a good word for some security that happened to be hanging heavily on the affiliate's hands. Of such stuff were many of our unsound bankers made. Their obviously unwholesome liaisons of investment banking with commercial banking gave lusty encouragement to the speculative debauch of the twenties, fertilizing the ground from which grew the over-production of credit, particularly of credit that had a high freezing point.

During the lunatic lustrum of 1924-29, bank loans bulged far out of proportion to the increase of such business transactions as were based on the production, distribution and consumption of goods. Indeed, the prime users of commercial credit, the large corporations, were relying less and less on the banks to finance their growth and operations. They had learned to harvest credit by peddling their securities direct to the public. The banks, in turn, accepted these securities as collateral against loans to customers, which loans were then used, in frequent practice, to speculate in still other securities. The easier the banks made it for borrowers to get credit, the harder they made it for themselves to turn their assets quickly into cash. The tendency of the times was for the banks to put into long term and easily freezable loans and investments those deposits which were due on demand, or on very short notice. Also, to a growing extent, banks were taking their chances with the hodge-podge of pretty paper that investment houses were selling as something fit for "a line of secondary reserves."

Simple statistics tell part of the story about how other loans and investments wandered off into the woods and got frost-bitten. Lumping all of the incorporated banks of the country, these loans and investments grew from forty billions in 1922 to almost sixty billions in 1929. Unhappily their character did not improve with their size. Where commercial loans had accounted for almost half of the total of the banks' loans and investments in 1922, they amounted to less than one-third of the bulk in 1929. During the same period loans on real estate grew from 8.7 per cent. of the total to 17.8 per cent. Loans on securities expanded from 13 per cent to almost 20 per cent.

Even the commercial loans of the period became more thin-blooded than were those of past generations. They, too, were becoming more susceptible to chills. "It is a fact not without significance," the National Industrial Conference Board remarks in its book on *The Banking Situation in the United States* "that in 1923 approximately 46% of the loans largely commercial of the central reserve city banks, 44% of the loans largely commercial of the other reserve city banks, and 40% of those of country banks were eligible for rediscount with the Federal Reserve Banks, while in 1930 only around 30%, 37% and 35%, respectively, of commercial loans were of an eligible character, and in 1931 even less."

The central reserve cities, it should perhaps be pointed out, are New York and Chicago. The "other reserve cities" are sixty-one in number, the seats of Federal Reserve banks, or their branches. All banks in other towns and cities are called country banks.

To the bankers of the central reserve cities, circumstances offered, at the end of the war, a golden opportunity, unparalleled in all the history of the rise and fall of nations. Untrained and unprepared, they made a ghastly botch of it. America, by the fortunes of war, had changed from a debtor country to the greatest of creditor nations. Wall Street boasted of its rising generation of "world bankers." New York was to replace London as the fountain-head of international financing. Already American exchange, unknown abroad in 1914, could look sterling exchange in the face in any overseas market place. The American investor was offered the world as his oyster. Why it gave him ptomaine poisoning is another story.

The final article in Mr. Angly's series on our banking system in which he will discuss international banking, American style, will appear in the April issue of NEW OUTLOOK.

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Nations Turn to Barter

by Carlos Davila

First, people, now nations, are going back to simple barter. The story of return to direct swapping of goods between nations is told by Carlos Davila, former Provisional President of Chile, who is now re-engaged in journalism, a field in which he did notable work in the past.

LADEN DOWN WITH A CARGO which included such homely products as "10 bbls. of pitch, 49 firkins New York butter, 483 bars of iron, 7 casks bacon and hams, 20 crates earthenware, 15 hogshds. New Eng. Rum high proof," *The Grand Turk* slipped out of Salem harbor on December 3, 1785, bound for the Indian Ocean and the Isle de France. The voyage was broken at the Cape of Good Hope to dispose of some of the provisions and to purchase a quantity of hides. At the Isle de France, "being miserably disappointed in the demand for our cargo," the master and supercargo abandoned the idea of loading with coffee and sugar, and chartered the vessel to carry goods to Canton where a load of tea was taken aboard for Salem. A contemporary document states that "her voyage was very profitable, yielding twice more capital than she carried out."

It is exactly this type of venture that every foreign trader would like to embark upon today. It is typical of the necessity for rapid adjustment to unforseen conditions which is again essential in foreign trade.

Since that time, however, a complicated system of currencies, gold standards, drafts, credits, clearing houses, etc., has come into existence ostensibly to facilitate commerce between nations. It achieved its purpose insofar as it bolstered up and made possible the greatest foreign trade the world has ever known: the period from 1922 through 1929. With the tremendous increase of world trade in the 19th and first twenty-nine years of the 20th century this web of international finance became so stupendous that it distorted our vision.

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We forget that money is but a symbol, created to fill a need, and that the entire complexity of the modern financial system but a man-made refinement, of value so far as it aids the exchange of goods and services. When any system fails to fulfill the function for which it was created, a return must be made to the fundamental operation behind the refinement. When the telephone is out of order, one must call on a friend in order to speak with him. In the field of international finance the service has been temporarily suspended.

Recognizing this chaotic state of international exchange, in June 1932, a report on monetary policy by the Currency Committee of the London Chamber of Commerce was unanimously approved by the Council of the Chamber and transmitted to the Government as a basis for the discussion at the Ottawa conference of the whole problem of international trade and currency. This report outlines the idea of a new measure of value and recommends a plan whereby a currency will be established that will fluctuate automatically with business activity rather than in accordance with the fortuitous influx or deflux of gold. It will be a currency backed 100% by commodities of market value and not by gold. It is proposed that all countries join with the original group, comprising the nations of the British Empire and the United States, and have their central banks join into one Central Banker's Clearing House to establish exchange. An important point is that once having established the relative values of the respective currencies, this ratio would remain unchanged. The Central Clearing House would, in no sense, be an international bank but merely a common meeting place of exchange for the transaction of business between the various central banks. All money units would come in on equal terms at their fixed ratios with the dollar or the pound. The basic idea of the proposed currency system is that currency would be issued by the central institutions against all commodities as represented by the eligible commercial bill and not merely against one commodity i.e. gold. In order to be eligible these bills must relate to current production and distribution only. Bills relating to capital or financial transactions would be ineligible for rediscount.

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This plan is proposed to remove the causes which are inducing nations today to strangle world trade by tariffs, quotas, exchange restrictions, etc. It aims at the arresting of progressive deflation and a return to a fair price level as conditions precedent to the restoration of world prosperity. The report of the MacMillan Committee of the League of Nations is quoted to the effect that actual deflation, if not stopped, will end in chaos.

It is noteworthy that this report asserts that the gold standard is out of date in a scientific age and calls attention to the fact that in 1931 the Committee had predicted that the probable outcome of all this international disorganization would be the forming of pooling agreements between nations and an ultimate reversion to barter.

The extent to which the wires of international financial communication have collapsed can be comprehended only when it is realized that, in a period of slightly more than a year, thirty-seven countries have gone off the gold standard and thirteen have declared what amounts to a moratorium on foreign debts. The latest trend is toward a moratorium on commercial obligations. Three nations

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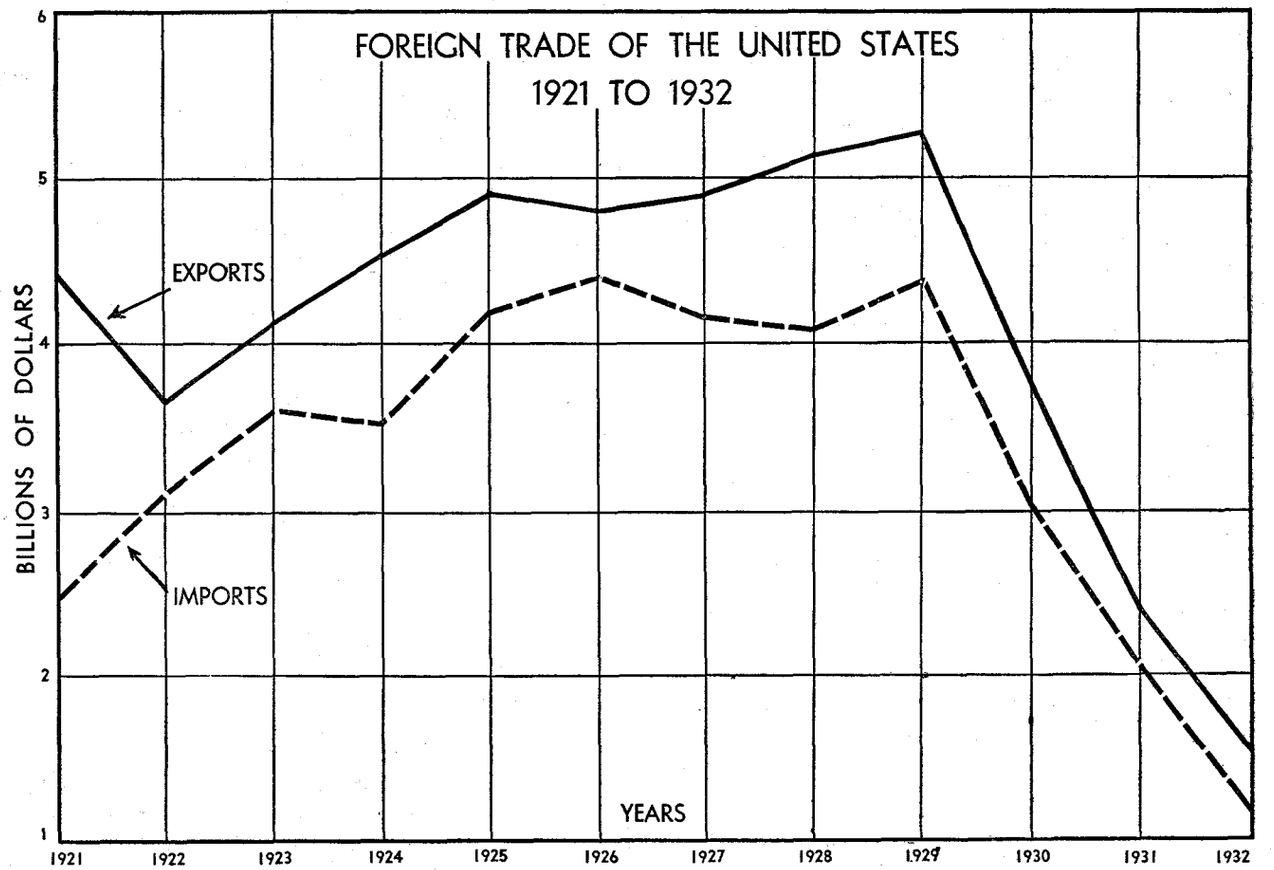
have already declared such a moratorium. Countries have taxed their ingenuity and imagination in adopting measures which they fondly believed would alleviate their condition. These measures assume a variety of forms: gold embargo, suspension of the gold standard; the granting to a national or a central bank of the exclusive right to buy or sell foreign exchange; the enacting of exchange restrictions drastically regulating, at fixed rates, all transactions in foreign exchange; moratoria on commercial obligations payable in foreign currencies; available foreign exchange allocated for the purchase of a few essential products; complete embargo on the importation of certain commodities, the issuing of permits for stated periods, specific goods, or even particular clients; the obligation of balancing foreign sales by the purchase of domestic goods; all important payments to go to blocked bank accounts, these deposits in foreign currencies to be released with great limitations, disposed of by installments, and sometimes forcibly converted.

This exuberant adoption of such formulas has brought the most negative results. It has not only succeeded in totally disorganizing foreign trade in the last three years, but it constitutes a menace to private trade as well. All of these controls on exports, imports, and exchange are shifting foreign trade from the hands of private concerns to the governments.

Furthermore, it would appear as though such controls had been formulated especially to prepare the world for barter transactions. It is obvious that the greater the control of the state over foreign trade, the greater becomes the possibility, and even the need, for a direct exchange of commodities.

The new significance to the American exporter of these restrictions and controls is that he may ship his goods to a reliable consignee abroad but will receive relatively prompt payment only by the grace of God. In other words, his money is temporarily "frozen." As most exporters are either unable, or unwilling, to meet such a situation, they are refraining from shipping goods abroad, not quite the proper policy for a country where one out of every ten workers gains his livelihood producing for export. Approximately 50% of the American cotton is exported, 36% of the tobacco, 15% of the wheat, 40% of the typewriters, 23% of the agricultural machinery and 10% of the motor cars.

At the time of *The Grand Turk* practically all foreign ports save those of Latin America were open to the vessels of the United States. From present indications the trend is toward an exactly opposite condition. Although the trade of the United States, with the twenty republics to the south, is off 72% in the last three years and with some of them 88%, Latin America may yet be the only field open to American commerce in the future. Certain large movements are under way which, if carried out successfully, will eventually bar, to a large extent, most of the markets of the world to American exports. Reference is made, of course, to the agreement reached at the Imperial Conference at Ottawa, the proposed French colonial trade policy and the recently announced Franco-German accord,—only one of a hundred similar ones on continental Europe,—the practically complete colonization of Africa by European nations, and the penetration of the Far Eastern markets by an industrialized Russia and Japan. The extent to which American foreign trade has suffered in recent year is apparent from a glance at the chart and from the following table:



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Year	Exports	Im-ports	Bal. of Trade	% Change
1913	2,466	1,813	+ 653	.....
1920	8,228	5,278	+2,950	+215.6%
1921	4,485	2,509	+1,976	— 48.2%
1922	3,832	3,113	+ 719	— .6%
1923	4,167	3,792	+ 375	+ 14.4%
1924	4,591	3,610	+ 981	+ 3 %
1925	4,909	4,228	+ 681	+ 11.4%
1926	4,808.7	4,430.9	+ 367.8	+ 1.1%
1927	4,865.4	4,184.7	+ 670.7	— 2 %
1928	5,128.4	4,091.4	+1,307	+ 1.8%
1929	5,241	4,399.4	+ 841.6	+ 4.5%
1930	3,843	3,061	+ 782	— 27.3%
1931	2,424	2,091	+ 330	— 34.6%
1932	1,617.8	1,322.6	+ 295.2	— 34.8%

In the century before 1920 *American foreign trade increased from* $143,000,000 (*annual average* 1820-29) *to* $7,824,000,000 (*annual average* 1915-1919).

It is significant to note that whereas in 1932 the total foreign trade of the United States had dropped nearly 70% from the 1929 figure, the approximate decrease in the foreign trade of England, France and Germany was only 56%, 54% and 48% respectively and only somewhat less than 60% for the world as a whole.

In the World Economic Conference of 1927 the general resolution was adopted in favor of tariff reduction. An agreement was signed urging the removal of such import restrictions as licensing controls, quota systems, and embargoes. A fine idea but all of the countries, practically without exception, represented at the Conference, immediately increased their tariffs and, when this proved inadequate, inaugurated a system of licenses, embargos and exchange controls that eventually curtailed world trade by half.

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If the success of the 1927 Conference is to be considered as a criterion for 1933, there is little basis for optimism. In the preface to the report unanimously adopted on January 19 by the Preparatory Commission for the World Economic Conference attention is called to existing conditions: 30,000,000 unemployed, wholesale prices down thirty percent since 1929; wheat at its lowest price in four centuries; a terrific accumulation of agricultural and raw material stocks; drastic curtailment of industrial production; world trade declining to incredibly low levels; national incomes reduced in some countries by 50%; only a minority of countries now retaining a free, uncontrolled gold standard, and general budgetary deficits. The seriousness of the last point can be realized when we look at the countries of reputed wealth: the budget deficit in the United States is increasing at the rate of over $4,800,000 a day and in France at the rate of over $1,080,000 a day.

Until recently everything was working to make foreign trade; now, everything is working to destroy it. Restrictions have so multiplied in the last two years that actual tariff schedules have become but minor barriers to the international exchange of goods. To continue to emphasize the removal of tariffs as a cure for world trade is to overlook a drastic shifting of facts. It is placing the problem on terms that were existent three years ago, but which are completely altered at the present time.

Three years ago German reparations and the impending prostration of Germany was considered "*the*" cause of the decline of foreign trade; then tariffs; then war debts. We all participated in the wave of enthusiasm which the moratorium on reparations created when it was declared in 1931, although the annual reparations payment amounted to considerably less than 2% of the per capita annual income in Germany. The hope that it would prove a God-given nostrum for the ills of the world was but another clutching at straws.

The only tangible result of the 1931 moratorium was, not an increase in the importation of American goods into Germany but the placing of German exports in a better competitive position in the world's markets. In the six months following the moratorium, Germany superseded Great Britain as the world's second greatest exporter, and virtually equalled the United States as the leading exporter. During the last six months of 1931 Germany exported $1,151,000,000, and the United States $1,168,000,000. The American favorable balance in trade with Germany dropped from $101,300,000 in 1930 to only $39,100,000 in 1931.

The world would be a victim of an equally cruel illusion were it to believe that with the reparations problem settled, tariffs adjusted, and war debts cancelled, foreign trade would flourish and prosperity return.

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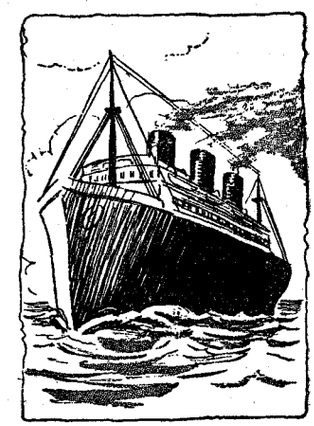
At the present time foreign trade lies prostrate, first bowled over by the depression and then struck unconscious by selfish policies mistakenly administered as stimulants. Either blow is serious enough in itself; the combination of the two threatens catastrophe.

The whole situation is one of muddy confusion. It is a war fought on a hundred fronts and it is beginning to look as though the favorite weapon were the boomerang. There is an appalling loss of energy and ideas that, disciplined and coöperative, might result in a solution for all countries. To make it worse, these isolated policies, springing from unsettled states of mind are in no wise consistent because now that all these restrictions are in force, the nations find themselves in the same relative position as before, and consequently are looking for new and probably equally unsatisfactory remedies. The outlook for the business man is not only dark but is continually changing. The American exporter may have been expecting bad times, but certainly not this bad. He has been crudely bludgeoned and has not yet reacted to a proper defense.



"We need to go to work," said an American economist, "and discover a new product, or a new sales method, or a new market, or a new financing system." But if these "news" are not found, why not try the very old ones? That is the argument advanced by the exponents of international barter. With the decrease

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in foreign trade in the last three years, there has been an instinctive stretching forth of hands in a plea for commerce in any form. American exporters are reminded of *The Grand Turk* and barter and the compensation trade. It is significant that although barter appears to be entirely an emergency merchandising problem, the idea has everywhere received the approbation of the most enterprising banks.

It is natural, considering the large percentage of commerce that is, and always has been financed by bills of exchange drawn on London, that the London Chamber of Commerce should be sponsoring the "Bartex" plan. This is the most comprehensive formula advanced so far for the alleviation of the dire condition resulting from the collapse of the exchange structure.

This plan, which was presented by the Chamber in a circular to its members dated November 19, 1932, is for the avowed purpose of resuming foreign trade with the countries which had established exchange restrictions. It was also designed to stabilize both internal and international price levels and to prevent price cutting.

The provisions of the plan call for the adoption of an international unit of currency, the "bartex," each country to fix the value of the unit in its own currency. Thus the obstacle of foreign exchange would be circumvented by a transfer of "bartex" from the importing to the exporting country. Central Banks would be established in the various countries which would serve to liquidate the "bartex" balance received.

The traditionally conservative British press approved the idea, but voiced scepticism as to its feasibility. It was argued that such a canalization of trade into bilateral channels, would deter, rather than stimulate it. The country with an unfavorable balance of trade would benefit by such a plan and while the advantage to England is obvious, doubt was expressed whether it would be acceptable to nations enjoying a favorable balance.

It should be noted that in spite of the popular belief that the "bartex" plan is for the promotion of barter, an analysis reveals that it is much more a financing formula to relieve the exchange condition.

Since November the situation has become more acute and the demoralization of foreign trade taken another downward plunge.

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Real "barter" organizations have already been established and are functioning in other countries. Many nations now seem ready to give barter a chance. The most active so far is Germany. As far back as April the Bremen Chamber of Commerce presided over the inaugural meeting of the Internationale Waren-Clearing Gesellschaft, a company organized by one hundred German firms, among them such well known names as the the Norddeutscher Lloyd, Overseas Trade, and the Norddeutscher Kredit Bank, for the purpose of promoting barter transactions. This company acts as agent and trustee for the parties involved and will also endeavor to locate prospective customers and markets.

In Berlin an association for the promotion of Turko-German trade through barter was formed. Included in this association were such names as Krupp and Siemens. In July the Cologne Chamber of Commerce organized a merchandise clearing concern for barter and in the same month the Gesselschaft Fuer Internationalen Warentausch was formed in Dusseldorf to act as a broker and facilitate the exchange of goods. It has a membership of some 83 firms.

The "International Commodities Trading Company" was formed in Switzerland by the Paris firm of Niedecker & Cie to engage in barter.

In Poland the Polskie Tow Handlue Konpesacyjnego was established to engage in the "compensation" trade. This company operates on a non-profit making basis. It serves as an intermediary in both private and governmental barter transactions. Typical of its activity is the taking over from Polish steel companies the coffee which they had received for 60,000 tons of rails in a barter transaction with Brazil. The company has undertaken a great campaign to promote the consumption of coffee in Poland and will endeavor to dispose of the coffee for the account of the steel companies. In the event of a surplus, efforts will be made to sell, or barter it to other countries.

The American Manufacturers Export Association planned a barter company to trade with Russia, but could not arrive at a mutually satisfactory basis for trade and temporarily abandoned the attempt.

A number of isolated transactions have also taken place. The first to occur to us is, of course, the deal whereby the United States Farm Board exchanged American wheat for Brazilian coffee.

England has bartered 30,000 tons of coal for Swedish lumber and additional fuel for Finnish timber. A deal involving the exchange of commodities rather than a transfer of pounds, kroner, and marks.

Conversations are being carried on between the governments of Great Britain, Norway, Sweden and Denmark regarding a compensated trade involving coal as well as a number of manufactured products. Germany has bartered agricultural implements for Danish cattle; machinery for Jugo-Slavian agricultural produce; and electrical equipment and railway supplies for Bulgarian tobacco. The Rhenische Westphalian Coal Syndicate bartered 500,000 tons of coal for Brazilian coffee. A transaction was arranged in April by the Agricultural Bank of Cairo and Borden and Haac of Bremen for the exchange of 20,000 bales of Egyptian cotton for 50,000 tons of German synthetic nitrate. It is noteworthy that until that time the German firm had always handled American cotton. This is a typical deal which involved over $1,000,000 and by which Chile and the United States were the losers. It is illustrative of how countries suffer which are slow to adjust themselves to new conditions.

In October Czecho-Slovakia bartered machinery for agricultural produce from Denmark and Poland and later exchanged about $2,000,000 worth of machinery for Turkish tobaccco.

The Aluminum Company of Canada, a private concern, bartered aluminum products for oil with Russia to the value of about $1,000,000. Russia has advanced the proposition to the Canadian Government to exchange oil for one hundred thousand head of cattle and ten thousand tons of meat, hides and skins, these Canadian products to be taken at a figure considerably above the current market price. The Canadian Government is to guarantee payment to the Canadian exporters until such a time as the oil is actually received and disposed of. A new proposition is also pending between Canada and Russia involving about $5,000,000 for the exchange of

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railway material for oil.

The Soviet Government has proposed to the Fiat automobile company of Italy the exchange of wheat for motor cars.

Spain has bartered metals for oil with Russia, railway supplies for wheat and corn with the Argentine, and may exchange war vessels for oil, beans and sisal-hemp from Mexico.

It is noteworthy that, although modern bilateral barter is still in its infancy, a movement is already under way for "triangular"—German coal to Brazil, Brazilian coffee to the United States, American cotton to Germany—and "circular" barter, involving more than three countries.

The exporter is right when he feels that it is unfair to force him into an unfamiliar line of business, into importation, barter, or becoming involved in compensation systems. At least, if he does feel that way, he must see that his interests will be best served by coöperation with the importer or by the employment of intermediary organizations. It is amusing that barter and compensated trade which are the most simple and primitive forms of commerce, are regarded with suspicion by the business man who considers them too complicated.

A movement is on foot urging that the Reconstruction Finance Corporation should guarantee 75% of the bills of exchange drawn against exports. This could be done either directly or by the establishment of an Edge Act bank to act as an intermediary between the Reconstruction Finance Corporation and the exporter. This plan is somewhat like the War Risk Bureau that was established here during the war period. Similar plans for financing exports are already functioning in many European countries.

The United States is the second largest importing country in the world. This volume of imports constitutes the strongest bargaining weapon at the disposal of any nation. It can be used to pierce the most protective shield. The problem before America is this: (1) Having the commodities and the demand she cannot sell because of the collapse of the exchange system and because of the competition in foreign markets of goods produced in countries with depreciated currencies. (2) Other countries are, or soon will be, absorbing these markets by means of barter, or compensation agreements. (3) The commodities accumulating here are making the competition more severe, increasing unemployment, and contributing vitally to the endless decline in domestic prices.

To counteract the flood of cheap goods, called "exchange dumping" special measures have already been authorized in certain countries; Canada for example, to raise the tariff schedule sufficiently to offset the difference in exchange. At the present time the United States is considering similar action, although it is a moot point as to whether this country has been deluged with as large a quantity of cheap goods as has been claimed in some quarters. This is bound to reduce exports from those countries which in turn will lead to further depreciation in currency and a consequent impeding of foreign trade. American merchandise is gathering dust in the warehouses, not only because of the competition of imported goods from countries with depreciated currencies, but because, for the same reason, these foreign products are sweeping American merchandise from the markets abroad.

Barter is by no means advocated as a permanent solution; it is offered as a temporary palliative for use among certain countries. It would at least enable traders to hold their foreign markets and to do some foreign business in the face of the depression. Notwithstanding, there is a good philosophical and social case for barter. "Since all trade is in essence barter," wrote a committee of experts, "there appears to be no justification whatever for any man capable of producing anything or rendering any service required by his fellows to be unemployed."

Millions of Americans are already engaging in domestic barter. It is estimated that the business done in this way will reach a total of over $300,000,000 this year. Why cannot foreign barter be undertaken as well?

Of course, all this is sharply at odds with our deep rooted concept of the practices involved in the exchange of goods, but the time has come when such routine practices are not adequate. Today, to stick to routine means defeat. An incapacity for action is one of the most dangerous by-products of the depression. This stupor is beguiling many business men into a period of watchful waiting that may prove far more deleterious than immediate action even at the danger of making a mistake.

A historian, when analyzing the causes for the decline of the Roman Empire, summed them up with the trenchant phrase, "But above all, what happened was that the Romans lost their nerve." Actual conditions are bad enough without the added curse of a poisoning psychological factor.

For the philosopher, "Prosperity" means a satisfactory and balanced state of affairs. Then the irrefutable basis of a new prosperity will have to be an "adjustment." Those nations and those individuals who are slow to adapt themselves to new conditions will be irreparably handicapped in the race for recovery.

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Mayor Unterguggenberger's Plan

By Hans R. L. Cohrssen

Economists agree that stamped scrip in theory and in operation may be two different things. Hans R. L. Cohrssen, an associate of Prof. Irving Fisher of Yale, a proponent of this new "depression money," reports on the operation of stamped scrip in Austria.

THE FINAL reports of the banks at the end of the year 1932 show that their position is one of high liquidity. Millions in cash lie unused in the vaults. Billions of credit have been rubbed out by the calling in of loans, writing down of values, and wiping off of deposits. Yet prices are still falling, having reached a level below that of 1914. Wages and incomes are declining at an alarming rate, already having reached one-half of what they were in 1929.

The prospect for the year 1933 is certainly far from reassuring. The tone of the farmers is definitely rebellious. The unemployed in many places no longer plead for aid; they expect it, and demand it. So long as prices continue to fall, or remain as low as they are, money will be hoarded by those who command or hold money. Hardly anyone is a good enough risk for a loan. Business men cannot lay their hands on collateral which banks will readily accept.

The same tightening of credit, the same economic stalemate has happened in other countries where depression has lasted a longer time than in America. In Austria, for instance, with but one interlude after the war, depression has gripped the nation for nearly fifteen years! Life and business had stagnated over the greater part of the land. Suddenly, in the middle of the year 1932, a solitary little town managed to recover from the depression. It was unbelievable. Yet the miracle had happened. Six or seven months later, to-day, the business and agriculture of the surrounding section, as well as the business of the town, is improving. Unemployment has not increased. It has even begun to diminish. A new look of hopefulness is on the faces of the people. The darkest period seems to be over.

The little town numbers 4,000 people. It is situated in the heart of the mountains, in the district known as the Tyrol. A rich farming territory surrounds this town which is called Woergl. The town itself is a famous summer and winter resort, noted for its winter ski-ing, and its attractiveness in the summer time. For the past three or four years, however, the people from the city, notably from Vienna, have not been going to Woergl to spend money because the people of the city no longer have any more money to spend. The economic decline of Woergl became steadily worse, steadily more terrible. Tax payment fell behind at this alarming rate:

1927	Schillings—	26,000
1928	"	28,000
1929	"	31,000
1930	"	61,000
1931	"	118,000

At the beginning of the year 1932, the treasury of Woergl was depleted. No funds were available from any source. In spite of economies of all sorts, the budget for poor relief had to be overdrawn to the extent of Schillings 40,000. The outstanding claims of Woergl amounted to Schillings 120,000, most of which was uncollectable. Its current indebtendess amounted to the same figure. Out of the total population of 4,000, the number of dependent unemployed numbered 1,500.

In vain did Mayor Unterguggenberger of Woergl and its council appeal to the Austrian government for aid. The government could render no aid because it was being forced to cut down its expenses, and to balance its budget if possible. The Austrian government was heavily in debt. The farmers and the banks of Woergl were hoarding their money, the former in stockings and chests, and mattresses, the latter in vaults and in their refusal to grant credits. By spring it looked highly problematical if Woergl could take care of its unemployed during the remainder of the year. By the summer of 1932, the situation, with the prospect of another winter ahead, was dangerous, hopeless, and gloomy. The townspeople knew then that they could not carry on the burden of relief through the winter. As an observer reported, "The people merely kept on existing from day to day, falling prey to despair, not daring to think of the morrow."

The mayor of Woergl, however, is a man of great resource, and considerable financial acumen. He had been to Germany, going there particularly to study the "Wara" plan in operation at Schwanenkirchen, Bavaria, the year before. "Waera" had impressed him as a way out of the crisis. In the middle of July 1932, Herr Unterguggenberger, Mayor of Woergl, had devised a plan, which was based on the use of "Wara" in Germany. The prospects of a winter with a bare treasury was serious enough to make the townspeople responsive to the proposal. They listened to it. Speaking before the town council, Mayor Unterguggenberger reasoned that all the people of Woergl needed was money. He said:

"If they had money, they would take care of local trade, which everyone admits is in a bad way, revive

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business in general, and provide means for putting the unemployed to work. In fact, everyone would benefit from the circulation of fresh money. Experience, however, has shown that even if we found some way of giving out money to our people, or of getting it from the banks, there would be no proof that this money would remain in circulation. On the contrary, the rich farmers would hoard it, the business men would do likewise, and finally even the banks would add it to their resources. Nothing would be accomplished.

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"But we must have money. We must issue money of our own, but money in the form of scrip which is non-hoardable. We shall begin by paying it to the unemployed, putting them to work on things we need to have done, and through our welfare department give the money to the needy cases. . . ."

And at that historic moment was born in Woergl the idea of stamped scrip. The council decided to issue scrip, which was to be stamped at one per cent of its face value each month. Only by stamping would such a piece of scrip circulate at its par value. On the designated dates, once a month, the holder of any such scrip would have to affix a one per cent stamp. If he did not do so, the amount of stamps due on the bill would be deducted by the business man or farmer who took it in payment. Twelve dated spaces were placed on the right side of the face of the note. Each Schilling scrip note would be retired at the end of one year, exchangeable for new scrip bills subject to stamping as before.

In short, the holding of the notes, or the hoarding of them was made very costly. The idea of the stamp was to cause a rapid circulation of the scrip, keeping it in constant use from hand to hand.

On August 1st, 1932, the town council issued the sum of Schillings 32,000 in scrip for the use of the Emergency Relief Department of Woergl. The scrip was officially designated as "Certified Compensation Bills." On the right hand side of the face of the note, which is entirely yellow in color, are twelve dated spaces for the stamps. Over the dated spaces is the inscription "Relief Contributions" in small letters. Each little stamp reads "contribution." On the left side of the bill at the top is the statement, "They alleviate need, give work and bread." Underneath is the seal of Woergl, and the official name "Certified Compensation Bill." Denominations of one, five, and ten Schillings were issued.

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On the reverse side of the bill is the following ringing appeal:

TO ALL! No. 000000

Slowly circulating money has thrown the world into an unheard of crisis, and millions of working people are in terrible need. From the economic viewpoint, the decline of the world has begun with horrible consequences for all. Only a clear recognition of these facts, and decisive action can stop the breakdown of the economic machine, and save mankind from another war, confusion, and dissolution.

Men live from the exchange of what they can do. Through slow money circulation this exchange has been crippled to a large extent, and thus millions of men who are willing to work have lost their rights to live in our economic system. The exchange of what we can do must therefore be again improved, and the rights to live be regained for all those who have already been cast out. This purpose the "Certified Compensation Bills of Woergl" shall serve.

THEY ALLEVIATE NEED, GIVE WORK AND BREAD!

Because of anticipated difficulties and possible trouble with the Austrian National Bank, the leading men of Woergl set aside the equivalent in lawful money to be used as liquidation funds for the scrip. This fund was put under the management of a board of outstanding citizens. The fund makes redemption of the scrip possible. If at any time, for instance, for any reason, the use of this scrip should be prohibited by law, or by the power of the central bank, the liquidation fund provides for immediate redemption of all outstanding scrip. Suspicious persons, who did not trust the money at first, finding that they could have it redeemed, soon became accustomed to it, and did not go to the bank to exchange the scrip for money. A charge of two per cent is made for redemption.

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The town of Woergl decreed at the outset that payments on arrears in taxes and present-day payments could be made in the stamped scrip. Gas, water, electricity, and other services which Woergl furnishes are also paid for in scrip. This feature alone aided instantaneous approval of the plan. The over-cautious merchants, and others who had looked upon the plan with some disapproval or suspicion, agreed to accept it in their respective hotels, stores, and shops. The employees of Woergl also agreed willingly to accept one-half of their pay in stamped scrip. The backing of the well-known and popular citizens did much to give confidence to the plan. In less than three weeks time, the new money was confidently and unquestionably accepted by everyone. Today, surrounding towns, as well as the farmers of the entire district, take it without even a second glance.

What has been the effect of this signal change in the economic and social life of Woergl?

A trustworthy correspondent and economist who visited Woergl on January 4th, 1933, and who had a long interview with Mayor Unterguggenberger learned the following facts:

"Stamped scrip is accepted everywhere today and passed on without difficulty or question, the only exceptions being the post office and the railway.

"We are extremely satisfied with the work performed by stamped scrip. One of the outstanding features is the accelerated velocity of circulation. I estimate that it circulates at least 20 times as fast as legal tender money.

"In the first few days of the new scrip regime, already 6,003 Schillings had been paid into the city treasurer to pay off the arrears in taxes and to meet other bills. Today, the outstanding claims of the city have

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almost all been wiped out, and current bills are being promptly met.

"After the plan had been one month in operation, Woergl was able to extend loans to business men of good standing. The Welfare Department has been able to put more men to work and has asphalted and improved 7 streets, amounting to four miles of improved streets.

"Woergl has added one-third of a mile to its sewer system, extending it three streets and improving it in other streets, and has improved 14 roads of about 8 miles length. The forests have been taken care of, trees replanted, and wide areas cleared. A new ski-jump is being constructed. A large water tank for protection against forest fires and town fires is also under construction."

The position of the banks is vastly improved. From July 1931 to July 1932, the Savings Bank of Woergl was unable to extend any credits. It was not even in any position to pay out the deposits of the savers in full. Its assets were pretty well frozen in mortgages. Withdrawals, for instance, in July 1931 exceeded deposits by 44,362 Schillings. In July 1932, withdrawals amounted to 12,355 Schillings. In August, deposits exceeded withdrawals from the bank by 6,591 Schillings—less than two weeks after the stamped scrip plan had been in operation. August is generally considered the poorest month for business in Woergl.

The miracle of stamped scrip is that it has enabled the people of Woergl to exchange what they can do—their work and services—effectively. It has succeeded in bringing money out of hoarding and put that money in circulation. It has freed the town and its people from the dread, horrible uncertainty of the depression, from fear and social paralysis. Other nearby villages and areas accept the money of Woergl without question. New opportunities and new hopes have come to all. And all classes have been benefited, farmer and merchant, worker and pauper.

So signal has been the achievement of Woergl that a nearby city of several thousand population has already asked Mayor Unterguggenberger to work with a noted university economist of Austria in adapting the plan for it.

In his annual report for 1932 to the Tyrol State Government Mayor Unterguggenberger wrote:

"The Stamped Scrip of Woergl will have historic significance because it has kept its promise to provide 'work and bread.' It has, in fact, fully satisfied all our expectations."

It is the claim of stamped scrip advocates that what has been done in Woergl can be done by any community, large or small of America. This is the true meaning of the financial miracle of Woergl. It is a challenge they say to the resourcefulness, the boldness and pioneering spirit of America.

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For the Wows and Moans Committee

By Ray Perkins

MR. JOHN NANCE GARNER,
CAPITOL BLDG. (RING TWICE),
WASHINGTON, D. C.

DEAR JACK:

I and the folks wish to offer our hot felt sympathy on your retirement from public life to become a vice-pres. Now that you have to spend your time in the senate, Jack, will you be allowed to read the newspaper? If so, I'd be glad to send you copies from time to time because the Senate must be a tough place for anyone who likes to keep in touch with what's going on in the world.

From Speaker of the House to Squeaker of the Senate is a mean jump, but it might be worse. After all you're not a senator, you're only the presiding officer and a man can live that down.

Maybe you'll get a better job when you've served your term. Maybe you could get paroled after serving a couple of years. When you do get out I hope you don't go from bad to worse like Charlie Dawes did. Charlie was a bit hot-tongued from constantly smoking a pipe, and he used to cuss at the Senate boys. He delivered the oath of office every day, but the boys just used to gather in the lobby and sing "Cuss me again!" Well it was just as my Aunt Pandora predicted. She always said a man who swore would come to no good end. And sure enough he finally became president of a bank.

Funny coincidence, Jack, the chap who succeeded Charlie Dawes as scout-master of the Senate was also named Charlie. Curtis was the last name, remember?

Of course, you'll never amount to much socially in comparison to Charlie Curtis, because I understand your missus doesn't care a toot whether she enters a room fore or aft of the ambassador from Galumph. What's more I hear your madam would just as soon eat at the small table in the next room with the children. Me too. Just the same, you'll enjoy the little social Curtisies that a vice-pres. gets. As long as you're riding on the Washington-merry-go-round, you might as well get a few brass rings. I'd like to get a load of you the day after the first White House Dinner, when you meet Curtis and ask him "Was you there, Charlie?"

I don't think Texas ever had one of its citizens committed to the vice-presidency before, but I guess the state is big enough to overlook it, eh Jack? My grandfather had a close call for the vice-presidency in 1880. The old gent (he was a gent in his more serious moments) had been ruthlessly struck with an idea when a child—struck so violently in fact that it permanently loosed his scruples. The Parent-Teachers Association and the Friday Afternoon Purity League of his district wanted to get rid of him, so they had him nominated for vice-pres., feeling that he would win and that the procedure would be less fatiguing than the customary tar-and-feather, or rail-riding methods. But Grandfather was too smart for them. He based his campaign on an honest appeal to voters to forget to register. So many voters forgot to register that he was swept away from office by an overwhelming wave of popular apathy. It was a happy day for the Perkins family when Granpop was defeated for vice-presidency by an impressive minority.

Grandpop says that when Fillmore was vice-pres., he spent four years trying to collect on his life insurance on the grounds that he was as good as dead. According to grandpa a lot of people think that's what became of Judge Crater.

I don't see how this country can be run along modern up-to-date business methods with only one v.p. There isn't a good-sized corporation in the U. S. that can't afford to keep two or three of them even in these times. Some of the really big firms are infested with v.p's. They have two types. First there's the common or garden variety of v.p. identified by numbers, to wit (or to half-wit anyway): 3d v.p., 6th v.p., etc. In the second classification are the "in-charge-of's," such as v.p. in charge of so-and-so, v.p. in charge of whatcha-callit, etc. Sometimes large corporations find it necessary to appoint a v.p. in charge of vice-presidents. My friend Willy Nilly is vice-pres. in charge of eye-holes in a big shoe company. He used to be in the sole department but now he's on his uppers. In the shoe business they call them vici-presidents just to kid them.

In some banks and public futilities, such as the radio business, employees are sometimes made vice-presidents for infractions of rules as a punishment. On the other hand sometimes a man starts in as a v.p. and works his way up to be a clerk or book-keeper.

When you start playing the Stark Strangled Banner on your new gavel, Jack, the lame duck element will be out of the Senate, but there'll still be a fair sprinkling of geese. At the last Congress the only thing that used its dome was the Capitol bldg., and even that was empty.

I'd suggest that the new tax bill be handled by the wows and moans committee. I'm also in favor of gag rule. Some of the gags they use on the radio nowadays are terrible.

You may remember that you and Roosevelt and the other boys sort of let drop a few veiled remarks intimating that the party was not dry. All the last Congress gave us was light whines and tears. Now that it's taken 15 years to convince a lot of people that you cannot successfully dunk a pretzel in soda water, I'd hate to see the next Congress at lagerheads over beer.

Regards to the folks in Texas. What's become of Texas Guinan—have they made her a vice-pres. too?

Your old friend and sincere rotter,

RAY PERKINS,
Supt. of vice-presidents,
Amer. Bushwa Co.

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Economic War Reports

Compiled by Edward H. Collins

American Front

While British and American leaders of opinion continued their sometimes diplomatic, and sometimes undiplomatic, prelude to the coming war debts conference at Washington, two other economic questions forced themselves to the front here during the last month. One was the question of if and how the trade competition of depreciated currency countries should be combatted; the other was the question of mortgage debts. For the time being at least the decision seems to be that no action will be taken to offset the advantage adhering to countries that have abandoned gold and permitted their currencies to decline. This was definitely reached on February 13 when a Democratic majority smothered, 212 to 174, a Republican proposal for an upward revision of the tariff on affected items.

Scenes of violence in Iowa, where farmers rebelled at the practice of foreclosing on farms and bidding them in at absurdly low prices, did much to focus the attention of the country on the mortgage problem, which has been increasing in intensity for the past two years. Leading eastern insurance companies blazed the way to relief for the farmers when they announced that they would not foreclose any more mortgages in Iowa until the State could enact legislation to aid its farm mortgagees. Subsequently the policy was extended to other states. Meanwhile, guaranteed mortgage companies have been urging general reductions in mortgage rates on urban real estate, and it seems likely that at least one bane of the mortgagee will be removed by legislative enactment before long, namely, the deficiency judgment.

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British Front

Since Great Britain's abandonment of the gold standard in September, 1931, it has been customary to think of the important trading nations as being divided into two parts—gold and non-gold, with the parts competing against each other. Recently, however, it has developed that the several non-gold countries are competing violently with one another, not by the orthodox manner of cutting costs, but by the new way of increased currency devaluation. "The chief feature of the exchanges during the week," reads a recent dispatch from London, "has been the rivalry in devaluation between New Zealand, Denmark and Canada, whose farmers depend on the English market." Britain herself has participated indirectly in the devaluation movement. This she has done by "sitting on the bulge" in sterling by buying vast amounts of foreign exchange offered and preventing the influx of funds to London from exerting its normal effect on sterling.

The restraint placed on the pound has increased the agitation for devaluation throughout the Empire, in Australia, in South Africa, in Canada. As the mentor of the non-gold group Great Britain has been endeavoring to steer a middle course, veering away, on the one hand, from indulgence on such drastic currency depreciation as Japan has permitted and, on the other, from that minimum depreciation which would best suit one of the satellites like Canada. Outwardly Britain is so pleased with her currency policy that all suggestions of an early return to gold are raucously spurned. Meanwhile further proof of the growing disfavor in which Cobdenism is held is provided in the order of the British Board of Trade that Dominion imports must have a 50 per cent "Empire content of labor and material." This ruling is directed against American branch plants in Canada which supply the British market.

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Japanese Front

The experiences in external devaluation of currency in England and Japan provide an interesting contrast. In England things have gone along much as usual. Prices, after a brief rise of about two months, have shown a generally declining tendency since November, 1931, with the result that they are about where they were when the country abandoned the gold standard. This is, of course, a negative accomplishment, since in gold standard countries prices have fallen anywhere from 10 to 20 per cent during the same period. However, it is in nowise comparable to that of Japan, where prices have risen some 22 per cent. This is the orthodox result, and explains why the Japanese "prosperity" cannot continue very long. Rising internal prices will soon wipe out its favorable trade differential, the result of a 60 per cent decline in the yen. Meanwhile, nature is about to be aided by artificial means, if one may judge by the muttering against Japanese dumping that is heard around the world. Americans have long been agitating for some countervailing weapon to combat the influx of electric light bulbs, rubber wear, and other novelties; more recently similar cries have been raised in Germany and Holland, as well as in the non-gold standard England. All in all, neither the British nor the Japanese experiment is likely to lend aid or comfort to those who are constantly urging that the United States cut loose from gold.

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South African Sector

An authoritative London commentator says of South Africa's departure from gold: "This is the first occasion on which a country has simply set aside the gold standard in cool deliberation when it could undoubtedly have defended it if determined to do so." This most peculiar shelving of the gold standard was undertaken in the face of a £32,000,000 favorable balance of trade in the year ended October 31, a showing twice as good as that made in 1928. South Africa's chief producers, the gold miners, are largely responsible for the severance from gold. They had

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been taxed heavily in order to pay first a 10 per cent and afterward a 25 per cent subsidy to other exporters of primary products, such as the farmers. Those farmers who had to sell in the British market pleaded especially long and hard for abandonment of gold, claiming that their own impoverishment was seriously hampering the national economy. The farmers now get the benefit of the exchange premium, but their gain is a loss to exporting farmers of other nations. South Africa's separation from gold, however, has had the beneficent result of starting the greatest speculative boom the world has seen since 1929. That boom is in South African gold mining shares in London. In these days when capitalism's doom so often is being read it is at least mildly reassuring to see capital, so long frightened, willing to take risks.

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German Front

The ascendancy of Adolf Hitler to the Chancellorship of Germany and the virtual domination of the cabinet by Dr. Alfred Hugenberg and his colleagues has made for a good deal of uncertainty as to what the financial and economic policy of Germany might be in the immediate future. The *Berliner Tageblatt,* summing up the new alignment describes it as reaction vieing with Fascism—"the Socialist Hitler under the business supervision of the foxy capitalist Hugenberg." A fiery Nationalist politician and devotee of the Hohenzollern tradition, Hugenberg detests labor unions and is otherwise strongly out of harmony with the Nazi social economic program. He has also long been a disturbing element, from the standpoint of the outside world, in his attitude toward Germany's foreign indebtedness. He was one of the most ardent spokesmen for a plebiscite against the Young Plan in 1929, and has consistently opposed reparation payments in any shape or form. Latterly he has expanded the field of his denunciatory operations and has called for a sharp downward revision of interest rates on the German foreign debt held abroad. Up to the time of this writing all that can be said is that both Hitler and Hugenberg have shown commendable restraint, while Walther Funk, press chief of the new Government, has assured foreign correspondents that there will be "no experiments of a financial or economic nature."

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French Front

The loss of more than $40,000,000 of gold which France has suffered in about two months is eloquent testimony of the acuteness of the economic pinch in the country which so long was immune to the depression's effects. More eloquent still, though, is the report that the number of tourists visiting France in 1932 was less than 1,000,000, representing a decline of 40 per cent in the year. Not even the traditional allure of Paris for the tourist can overcome the drawing power of a 30 per cent devaluation of the franc's neighbor, sterling, across the Channel. In Scandinavia, too, there is depreciated currency, and in lesser Europe tourists used to the ways of the Black Bourse can get exchange cheap; and so France, which had so much to offer the tourist in 1926 when the franc was low, is now seriously at a disadvantage. Of perhaps still graver implications for France's tourist trade is the plan Germany's banking creditors are devising of selling marks to travelers going to Germany at quotations under the official exchange rate. Money spent by tourists, and more particularly American tourists, is a treasured source of income in much of Europe, and the depreciation of exchanges has created no graver a trade problem than this interference with the normal flow of the tourist traffic. France is hardest hit, and after her come Switzerland, Holland, Belgium and Italy, all of whose currencies are still anchored to gold. Gold standard Europe has a heavy stake in getting Britain and her coterie of followers back on gold.

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North European Sector

The depression has vouchsafed no more interesting monetary experiment than that which Sweden has attempted since she followed Great Britain off gold year before last. Swedish prices, thanks to an understanding and carefully administered central bank policy, have held steadier than those of any advanced country and, in spite of the Kreuger fiasco, industry has borne up relatively well. The state bank—Riksbank—has been able to do what the Bank of England and Federal Reserve have puttered at but never really tried in the easy money line and what the Bank of France would never attempt on the ground that it would be the grossest monetary indiscretion. To spread purchasing power and keep up the turnover of funds, King Gustaf has announced that his government intends to relieve unemployment by a sweeping public works program. Denmark, too, has been in the world's financial eye, but she has pursued different tactics from Sweden's. Instead of operating through credit control, Denmark has essayed to achieve internal equilibrium and external advantage through deliberate exchange depreciation—this in spite of the fact that by so doing the government violated its election pledges. It is the voice of the farmer that has been mighty in Denmark, and it is against mortgages that his voice has been raised. Interest rates were reduced by compulsion, and the farmer was helped by depreciating the exchange, making for more advantageous export terms to Britain. The government has forbidden all strikes and lockouts.

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Russian Front

While Russia's second five-year plan is in process of being drafted, every effort is apparently to be made to bring agriculture into line with the progress made by industry under the first five-year program. Despite Stalin's glowing statements concerning the success of the first plan, delivered at the end of 1932, he has indicated clearly in more recent utterances that the agricultural side of the picture leaves a good deal to be desired. "What is wrong with the grain collections?" he is reported recently to have demanded in an address to his fellow Communists. He furnished his own reply. "We are to blame. It is not the peasants, nor the class enemies, nor the weather, but we Communists, who have the greatest power and authority the world ever saw, who have made a series of glaring blunders!" In union there is strength, pointed out the Communist leader, and 1,000 united peasants are more dangerous, if their leadership falls into hostile hands, than 1,000 individual peasants. Those who have challenged Stalin's claims for the success of the first five-year

(*Continued on page* 63)

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To See or Not to See

By Cy Caldwell

George White's "Melody"

Musical romance in two acts and fifteen scenes. Book by Edward Childs Carpenter, lyrics by Irving Caesar, music by Sigmund Romberg. Presented by George White at the Casino Theatre

This beautifully staged, delightfully melodious, and thoroughly enjoyable musical romance begins in Paris in 1881 as an operetta, spends the 1906 period at a chateau in Loos, France; and ends in New York and Paris in 1933 as an up-to-the-minute musical comedy. Throughout it is tuneful and gay, a gorgeous production that you absolutely must see. Here is an intelligent plot, not merely a convenient rack on which to hang songs; it is a tenderly romantic, but never over-sentimental story which has a moving beauty of its own, itself a melody of love and romance which sings its way through three generations and, of course, comes to a happy ending—an ending no whit happier than is Melody as a whole. I enjoyed every minute of this lovely production, and I am sure that you will, too. For such a treat George White and his grand company deserve the best that New York can give them; nothing so fine has been done for a long, long time. The cast is splendid, a most happy choice of talent. Lovely Evelyn Herbert sings and acts delightfully; Hal Skelly is always amusing and grows old gracefully, without doddering; Jeanne Aubert is a comedienne to remember; Walter Woolf is a dashing lover to win the heart of any maid and the approval of any audience; and Everett Marshall sings "I'd Write a Song" as though it were his one object in life. The rest of the cast couldn't be better, and the George White Beauties couldn't possibly look any lovelier, what with their own beauty and with the costumes designed by Charles LeMaire to entrance the ladies. Joseph Urban's settings are lavish and appropriate, Bobby Connolly's dances are what any doctor would order, and everything and everyone is happy on both sides of the footlights. If you see only one more musical show this year, let that one be Melody.

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Pardon My English

Musical comedy with book by Herbert Fields, music by George Gershwin, lyrics by Ira Gershwin. Presented by Aarons and Freedley at the Majestic Theatre.

With Jack Pearl, Lyda Roberti, George Givot, Barbara Newberry, Carl Randall and a good chorus all doing their darndest, this ought to be a bang-up good show. But it is by long odds the dullest, heaviest and most tiresome musical in town. A musical comedy that is short of both music and comedy is a sad affair, indeed. George Gershwin's music is nice and loud, and there are no discords in it, nor tunes to amount to much, either. He may have gone technocratic and ground it out by machinery. Jack Pearl makes the most of half a dozen good lines, possibly inserted by a kindly passing pedestrian in the truly awful book for which Herbert Fields accepts the blame. His doleful, involved old plot wraps itself like a boa constrictor around the brighter song and dance numbers, crushing the life out of them. When they are not caught in the toils of the plot, Barbara Newberry and Carl Randall momentarily lift your spirits with their dancing, but too soon that ole debbil plot gets them down, and you with them.

Face the Music

Return engagement of the Moss Hart and Irving Berlin musical comedy. Presented by Producing Associates, Inc., at the 44th Street Theatre.

O'Brien may come and Walker may go, but Face the Music, that joyous satire on New York politics, policemen and tin boxes, goes on. So, for that matter, does Tammany Hall. If you haven't seen this quick stepping lampoon on show business and municipal politics, it is worth your eye, although the jests show the wear and tear of time and the music has become so familiar that when you are repeatedly invited to "have another cup of coffee," you want to remind them that if the coffee isn't dated, the song most certainly is. Mary Boland shows none of the wearing effects of a long tour; nor, oddly enough, does Albert R. Johnson's lavish stage settings. It is something to be thankful for that time and the road have been kinder to Face the Music than they were to Dr. Hoover's Perambulating Medicine Show.

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Design for Living

Play by Noel Coward. Presented by Max Gordon at the Ethel Barrymore Theatre.

Perhaps it was because I had suffered so grievously the previous evening at Elmer Rice's We, The People, that Noel Coward's breezy artificial comedy of life among the loving artists seemed so thoroughly delightful, as it did. And not so much for the play itself, not so much even for Mr. Coward's witty and malicious lines, but very, very much for the brilliant light comedy perfection of Alfred Lunt, Lynn Fontanne, and the versatile Noel Coward himself. In parts designed especially for them and that fit them like their own clothes, these three good friends are as smoothly right as right can be, and shine with a refulgence that is dazzling. However, to accord the principal honors to the stars is not to slight the play, a bizarre and mocking excursion into polyandry, which concerns a lady, her two lovers, and her husband. To treat of this subject gaily and quite inoffensively is no mean feat in itself; but to make the three merry sinners against convention seem entirely right, and the husband more than half wrong, at least while you are listening to them, calls for genius, a genius for playwriting and a genius for acting. "We have our own decencies," the mischievous sinners declare. "We have our own ethics. Our lives are a different shape from yours." You believe them, though you may wonder just where they go from there, when the lady leaves her dull legal husband and his modernistic apartment and goes chasing off to Paris with her two lovers.

In cold type this may all sound very wicked, but on the stage it is just real good fun. New York loves it, because New York is very wicked and sophisticated, while in the theatre, and then goes home to put out the milk bottles, just as folks do in such sanctified places as Wichita, Kansas. New York is merely later getting home, and the milk is thinner. Design For Living, enjoyable though it is, suffers from one major fault. It was staged by Mr. Coward, and it is obvious that he couldn't bring himself to cast out a single line that he had written. A competent stage director, if unhampered, would have deleted pages. In parts the comedy is over wordy, lacks movement, tries uncomfortably to take itself seriously, and thus runs too long for its own good. This is an ill besetting all playwrights who direct their own plays—they just can't bear to part with a single precious word.

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Alice in Wonderland

Presented by Eva Le Gallienne and her Civic Repertory Theatre Company at the New Amsterdam Theatre.

"And did it really truly happen?" asked the very little boy whom I took to the matinee. "Or is it just supposin'? Of *course* it really truly happened, this beautiful adventure in the wonderland of childhood that is Lewis Carroll's gift to children of all ages, everywhere. It happened for you and for me when we were children ourselves; and by the magic of Miss Le Gallienne and her good players, and the delightful wonder and bubbling happiness of the child beside me, it happened all over again for me—and I'm a very tough and rough old child indeed. It can happen for you, too, if Alice doesn't become frightened and run away from 42nd Street, a weird place for her, with the Flea Circus and Minsky's Burlesque staring her in the face. If you know one child or a dozen children in this dreary old world of pretense and make-believe, won't you, for their sake and your own, take them through the Looking Glass at the New Amsterdam into that so much realer wonderland where nobody pretends but is just what he or she happens to be? And even if you're so terribly unfortunate that you have no little friend to take, go anyhow, with anyone; but go. And if you don't enjoy it, keep the fact a secret; for it will mean that the last vestige of childhood has been wrung from your heart, and that you are sufficiently petrified to become a member of the United States Supreme Court.

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Pigeons and People

George M. Cohan presents his own farce at the Sam H. Harris Theatre.

In what he calls "a comic state of mind in continuous action," Mr. Cohan, as Parker, the man who was sitting on a bench in the park feeding the pigeons, is invited to his apartment by a philanthropic insurance man. There Parker meets a group of evidently sane people, talks to them, talks over them, talks around them, twists their sane remarks into lunacy, amazes them, confuses, frightens and baffles them until they don't know who or what is sane. It is the most hilariously looney and delightful nonsense in the world, with no recognizable plot, theme, or conclusion. The first hour of it is the sheerest delight; Parker's repartee with a big cop, excellently played by Edward Nannery, is about the funniest thing ever written, the high point of the comedy. Then the comic state of mind starts to run down, becomes less comic, so the Cohan feet and fingers hurry to the rescue with a Cohan dance, a piano accompaniment to a Cohan song. It is an amazing and unique exhibition of his acting ability, of his power to hold an audience, for Mr. Cohan is on the stage for nine-tenths of the time, and never for a moment is he at a loss for something to do, even when he has run out of something to say. A typical Cohanism: in the program notes about Who's Who in the Cast, the entire department is devoted to Mr. Cohan's biography. Not another soul is admitted. Perhaps I should apologize for mentioning Edward Nannery.

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Romeo and Juliet

Play by William Shakespeare. Produced by Percival Vivian at the Shakespeare Theatre

"Bear hence this body, and attend our will: Mercy but murders, pardoning those that kill." (*Romeo and Juliet.*) The Prince's comment on the death of Mercutio, penned by the bard of Avon in 1594, might have been made only yesterday by any intelligent American Police Commissioner as a criticism of our lax criminal system. That's why Shakespeare will never die, no matter how many actors try to murder him: he knew and wrote of human nature, which is the same yesterday, to-day and to-morrow, unfortunately. Incidentally, it would be of interest to learn how many actors and actresses have been killed in Shakespearean dramas—from 1590 to 1933—and how many of them deserved it for their acting. The greater part of them, I should say. If laid end to end (which most of them richly deserved), they'd probably reach from here to—I wish someone would figure it out. Mr. Vivian's valiant Shakespeareans are to be commended for their endeavors in these hard times; it takes courage of no low order to give us Shakespeare at $1.10 top. I pray that you will journey to 59th Street and Seventh Avenue and lend them your encouragement. Some of them deserve it if others of them don't; after all, you can't expect an all-star cast for $1.10. The company is also presenting A Midsummer Night's Dream and it is their intention eventually to produce all of Shakespeare's plays.

The Monster

Revival of Crane Wilbur's play. Presented by Wee and Leventhal at the Waldorf Theatre

Perhaps the Monster terrified his audience of 1922, but he merely amuses to-day's boys and girls, who are rendered immune to his intimidations by many doses of Frankenstein, Dr. Fu Manchu, Dracula, and other far more creepy moderns of screenland, down to zombies. As the poor old Monster (a lunatic doctor bent on human vivisection) pottered about his house of time mellowed horrors, even the smaller children at the matinee which I attended laughed heartily, though not derisively. Evidently the thrill of one generation is the comedy of the next; I suspect that it will be utterly impossible to frighten, amuse, or even interest the youngsters of ten years hence. De Wolfe Hopper brings life, and some semblance of reality, to the unreal part of Dr. Ziska, the Monster in question, but to 1933 eyes all the rest of it is just so much harmless old-fashioned hocus pocus. As such it is mildly diverting.

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We, the People

Play by Elmer Rice presented by him at the Empire Theatre.

"Make the gruel thick and slab: Add thereto a tiger's chaudron, For the ingredients of our cauldron. Double, double toil and trouble; Fire, burn; and, cauldron, bubble. Cool it with a baboon's blood; Then the charm is firm and good." (*Macbeth.*)

Possibly Mr. Elmer Rice lacked the baboon's blood, though he had everything else, for the charm he wrought in We, The People, was neither firm nor good. He threw so much, too much into his huge pot of twenty scenes that the forty-four people in the cast could do little more than stir it into a mess. He had capitalists, all wrong, and poor people, all right; he had two families suffering from depression troubles; a cop shot by someone and an unfortunate young man sentenced to death for it; a father shot in a riot and paralyzed; a crazed war veteran whose wife deserts him; a widow's grandson killed in the marines; and two young women in love troubles that are never solved. Then he viewed with alarm, and inveighed against war, capitalism, farm relief, charity, the plight of the Negro, the Senate, bank failures, Presidential candidates, the low price of corn, and Imperialism in Haiti. Everybody, including those in the audience played in hard luck and had the cards stacked against them. It was just too much. Mr. Rice's 44-man depression was merely a vociferous Union Square speech with settings by Aline Bernstein. His coat of arms should be gloom and misery rampant on a field gules.

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She Done Him Wrong

Paramount Picture

Well, ladies and gents, here's our bawdy old pal Diamond Lil taking an alias, and slipping undetected past chipmunky Tsar Hays and his ban. Mae West plays the same old Lil, though now she is the lady that's known as Lou. But Lou by any other name still would be Diamond Lil as Miss West presents that lusty gal and her tale of '98 on the Bowery. The epic has been refined somewhat, ladies and gents, but I am happy to report that Lil, or Lou, shines with her accustomed brilliance, one of the finest women that ever walked the streets. As an actress Mae West is a refreshing and healthy change from the slinky dopey foreigners and the simpering little home-grown chits to whom we of the older, or early burlesque, era have grown accustomed, but not resigned. I want to advise youse gents what used to imbibe culture at the fount presided over by Billy B. Watson and his Beef Trust Beauties, that here is something for you to see and enjoy to the limit. As for you, Aunt Effie, I think that you'll love it, but won't admit it.

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Topaze

RKO-Radio Picture

John Barrymore's character development of the naive Professor Topaze into a scheming scoundrel of the business world is one of the grandest performances ever given; it is perfect in every detail, an amazing example of brilliant acting, the high-light of a superior screen comedy adapted from the French of Marcel Pagnol. Ably directed by Harry D'Arrast, this mildly ironic treatise on the futility of copy-book maxims as guides to a successful financial life is a neat satire on the fundamentals of school teaching. Miss Myrna Loy, more beautiful and charming than ever, is admirable as the young woman who helps Topaze to understand life as it is lived outside of school rooms. Intelligently written, directed, and acted, Topaze is something to be grateful for.

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Two-Legged Economy

By Henry Kittredge Norton

This is the second of two articles describing a plan for investing in wages, which is seriously being considered by leading American industrialists, as a means of balancing production and consumption.

In the effort to overcome the ill effects of an economy in which one leg—production—is straight and powerful and the other leg—consumption—is subject to sudden shrinkage and collapse, the remedy indicated is to strengthen the weak leg. The means suggested for doing this is based upon the now proven fact that the total body of wages of the country is the basic factor in prosperity. The "iron law of wages" binds business, profits and values to the wage level, and they can rise only as it rises. As the individual employer cannot raise wages without committing financial suicide, the national industry must, in order to avoid its own demise, find a way to maintain the country's total wage payment at a level adequate to assure prosperity.

The main lines of approach to the problem are clear. The exact percentages, the distribution of contributions between employer and employee and other details of operation are at present the subject of intensive study in a number of the industrial research organizations of the country. The result of this study may require minor changes in the proposal outlined below but not in its underlying principles.

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The method suggested attacks the problem at two salient points. First, by means of a flexible working day, it would distribute the existing work at any time among all the available workers, according to their capabilities. Second, while the wages paid by employers would be fixed exactly as they have been in the past, industry as a whole, functioning through its agent, the Federal Government, would add a sufficient percentage to each individual pay envelope so that the total amount of wages including this supplementary compensation would be enough to bring industry back to full production and keep it there. Thus the financial health of both the individual employer and industry as a whole would be safeguarded.

The first problem is met by taxing every employer an amount equal to three per cent. of the wages he pays any employee for each hour per day that he works over the average for his district. This average is computed weekly by the government and published. Each employer is free to arrange his working force and their working time as he chooses. For every man he works beyond the average time, however, some other man in the district must work less than the average. The employer who adjusts his working time to the average, pays no taxes. The tax paid by the employer who works his men over the average goes into a fund from which supplemental compensation is paid to those who by his action are deprived of the opportunity to work the average number of hours.

This makes the Share-the-Work idea as nearly universal and obligatory as it can be made without arbitrary interference with the conduct of each employer's business. But sharing the work and sharing the total wage bill at its present level will neither pay an adequate wage to the workers, nor allow business to climb out of the depths of the depression. So we come to the second step, the increase in the compensation of the workers by a sufficient amount to enable them to buy and enjoy the products of industry and, by doing so, to bring industry back to full activity and keep it there.

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This problem requires the computation of the average working time of all employes for the last seven years. This establishes a long-time national average as contrasted with the short-time district average used in dividing the work. The seven-year-period of the national average is sufficient to cover the several phases of the usual business cycle, and thus sets a standard neither too high, nor too low, for practical use.

Our aim is to bring business up to this long-time average as measured in terms of working hours per day. To accomplish this each employer would add to each pay envelope a sum equal to ten per cent. of the employee's wages for each hour by which his day is less than the national average. For example, if this average should happen to be seven hours a day and the employee should be working only five hours a day, his day would be two hours less than the national average. He would then receive, in addition to the regular wage paid by his employer for the five hours, ten per cent. more for each of the two hours, or a twenty per cent. supplemental compensation. While the employer would pay this, he would immediately reimburse himself by drawing upon a government fund for the total supplemental compensation paid by him to his workers.

In this way, whenever the business of the country begins to recede, the additional buying power necessary to sustain it would be automatically thrown into the lower income groups where it goes directly into the purchase of goods and services. Instead of production going into a tail-spin in pursuit of a constantly shrinking consumption, consumption would be sustained at a high level and would keep production up with it.

But the cost? This is met by contributions levied upon

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all employees whenever they work more hours per day than the national average. This contribution is fixed at three per cent. of the total compensation of the worker for each hour by which his daily work hours exceed the national average. For example, if the national average is six hours per day and a man is working eight hours, he will contribute three per cent. for each hour, or six per cent. of his total compensation. This is the cost to him payable only in prosperous times, of the assurance that there will always be jobs enough to go round and that there will always be wages enough to enable him to maintain his family at the standard of decency and comfort to which they are accustomed. During the seven-year periods there will be as many hours gained above the average as there are lost below, so that the hours will balance out.

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But will a three per cent. contribution in good times balance a ten per cent. supplemental compensation in bad times? It is not possible to say it will do so exactly as the payments both out and in will vary according to the distribution among the workers of the overtime and the undertime. The three per cent. is paid upon a larger sum than is the ten per cent. and, using average in both cases, it would balance fairly closely. If, after a few years in practice, there was a shortage or an excess, the rate of contribution could be raised or lowered to meet it.

Such, in brief, and without any attempt to deal with details is the main outline of the proposal to convert our one-legged economy into a two-legged economy by restoring the health and strength of the consumption leg. Like all other projects, it has been confronted with objections. Unless those objections can be met and satisfactorily answered, it is not the solution we are seeking.

The first objection which is made to any plan for introducing a measure of regulation into our present economic chaos, is that it would allow government to control business or to interfere with its management on a profit-making basis.

The suggestion outlined above gives government not a whit more power over business than it has today. It creates no new government board or other instrumentality beyond the employment offices contemplated in the Wagner bill which was vetoed by President Hoover. So far as the plan under discussion goes, these offices would serve merely to record the number of workers and the number of hours worked in each district, to total them on an adding machine and to publish the resulting average each week.

That done, government has but one remaining function, the punishment of those who violate the law by making false returns to avoid the payment of taxes or contributions. This would require no more activity than at present. Employers need pay no tax if they divide their work among the workers on the basis of the district average. Each employee will know what supplemental compensation he is entitled to and may report to the authorities any failure to pay him. Contributions from workers working above the long-time national average of hours per week would be deducted from their compensation and turned in by their employers.

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Beyond this, every requirement automatically adjusts itself to changing conditions. No government official, or board, fixes the hours of labor, the wages of labor, or any other factor of management. The proposal simply recognizes the fact that if some men work longer than the average, other men must work less than the average, or not at all. The burden of unemployment so caused is transferred from the victims to the employers whose management throws them out of work. Automatic also is the adjustment of the supplemental compensation to the long-time national average. No official authority determines how much is to be paid, nor to whom. The payment disappears as the need for it disappears and the total of such payments in downswings is amortized automatically by equivalent contribution in upswings. Thus, while dishonesty will not be abolished, it is furnished with no new incentive and no new medium of action.

In brief, there is no suggestion of government control of industry. On the contrary, the industry of the country would simply be using the government as its instrument to accomplish something which it cannot do as an aggregation of competing individuals and thus eliminate the periodic devastation to which its own unbalanced operation has heretofore condemned it.

The shop superintendent who is eagerly striving for more efficient production, however, cares little whether his operations are restrained by a government board or by a mathematical formula. He prefers no limitation whatever upon his own arrangements for the number of workers, or the hours they work. What he wants is freedom to produce, as efficiently and cheaply as possible.

Under the proposal we are discussing, his freedom would not be complete. The management would be pressing him to keep his workers' hours at the average so that the company would not have to pay the tax for overtime. He would have to arrange his production schedule according to a working day the length of which he would have to change from time to time. This would give him an added problem with which to wrestle.

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It would not be a very serious problem, however, and it would have no effect upon his competitive power, because all of his competitors would be restrained in exactly the same way. Moreover, it is the uncompensated struggle for efficiency which has brought us to our present pass. Efficiency in the production of goods is in general a worthy thing to strive for, but it ceases to have any value when it proceeds in a direction which destroys the market for the very goods it produces. When it does that, it ceases to be efficiency, and becomes mass bungling. The trifling restraint placed upon the shop superintendent's freedom of action by taxing him for working men beyond the average necessary to do what work is to be done, is repaid a thousandfold by the assurance of a market in which the products of that work can be sold. It may add a trifle to his problem in

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one direction by requiring him to adjust his production schedules to slightly varying hours, but at the same time it removes far more serious difficulties in another direction by eliminating the necessity of adjusting them to an utterly erratic consumption demand.

The general management of a factory may be willing to let the shop superintendent worry along with such troubles as best he can. Its attention is focussed elsewhere. It seems axiomatic that if the wage-earners are to receive more, then ownership and management are to receive less. Hence the prompt and often heated objection that higher wages are impossible in these times.

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Let us grant the truth of this insofar as it applies to the individual employer, but let us also agree that what we are most anxious to get away from is "these times." Their depressing characteristics are due to the very fact that the total body of wages is hardly more than a third of what it was in 1929. If that body of wages could be trebled again tomorrow, business would promptly expand to treble its present volume. It has already been pointed out that no single employer can afford to employ more men than he needs for current business, or to raise the wages of those he has above current rates. Any contribution he might make to consumption demand in this way would be spread out so thin that little, and possibly none, of it would come back to him.

But industry as a whole, acting through the government, can increase the compensation of the great mass of consumers and rest assured that it would profit from the resulting increase in consumption. *The individual employer cannot afford to raise wages, but industry as a whole cannot afford not to do so.* The proposal here made enables each of them to do the thing which is necessary for its own well-being.

Nor does it follow at all that the increase of the total paid to the workers entails a corresponding decrease in profits. That is the delusion that retards effective action to end the depression. It may have been true at one time that wages came out of profits. But it ceased to be true when mass production made the wage-earners the dominant element in the market for the products of industry. From that time on, wages ceased to come out of profits, and profits could thereafter come only out of wages. Practically every dollar of income received by anybody in this country today is coming directly or indirectly from our national economy as a whole. Profits, if any are being made, come from the total consumption. At least two-thirds of this is directly from wages and the other third is from the business the spending of those wages creates. Any increase in the total body of wages runs right back through more business to greater profits. In fact profits may well grow at a more rapid rate than wages for a time as the terrific burden of debt and overhead which industry now bears is distributed over a larger output.

It is only blind devotion to outworn maxims that would hold wages down for fear of decreasing profits. The one road to the restoration of profits is the increase of the compensation of the low income groups. The proposal here under discussion does this specifically and directly and its effect would be equally specific and direct: business, and profits with it, would start up on the morrow of the beginning of its operation.

Another expression of the hallucination that a higher national wage bill would cut profits, is the plaint that the amortization of bonds floated to obtain the money to pay the supplementary compensation would place an unbearable burden of taxes upon industry.

In its incidence the amortization contribution is not on industry. It is the workers who establish their own work and income insurance by repaying in better than average times what they receive as supplementary compensation in worse than average times. In this sense, there is no tax on industry at all, although it receives the benefit of what amounts to insurance of a constant market for its products.

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It is argued, however, that, even though the wage-earners pay the contributions, they will demand and be able to enforce a wage rate high enough to cover it.

There is an element of naïveté in this. It assumes that if they did not make the contribution, the workers would not push the demand for wages to the upper limit of their ability to obtain them. But, suppose there was a transfer of some burden to industry which it would not otherwise have to bear. Assume the extreme case, that industry was taxed the whole amount necessary to amortize the bonds. It may be conceded that in that case the amount of taxes would be increased. But the amount of a tax bill is not necessarily the measure of its burden. Few of us but would rather pay $10 on an income of $100 than $5 on an income of $50. The industry of the country could certainly better afford to add the amortization charge to its tax bill and pay the whole out of a high level of business, than avoid the extra tax and remain in its present parlous state. It's the tax burden, not the tax, that hurts.

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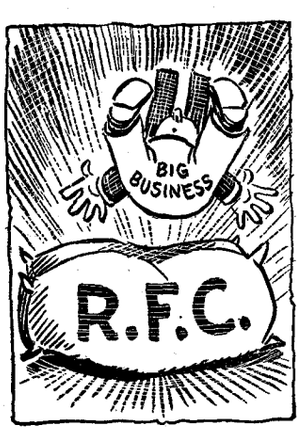
The financier, with an eye single to the credit situation, recoils from the thought of government borrowing in a time of declining revenues. His objection is spontaneous and assumes that such borrowing will destroy the credit of the government.

It is pertinent to point out that the government has already made extensive calls upon its credit without serious injury. It may also be pointed out that, howevermuch the operations of the Farm Board, the National Credit Corporation and the Reconstruction Finance Corporation may have cushioned the fall from dizzy heights for those who have been the recipients of their beneficence, they have not thus far made any measurable contribution to the economic revival of the country. It may be further pointed out that the continuing deficits in the national budget will shortly wreck the government's credit unless some means are employed to restore the tax-paying ability of the country. This, in the final analysis, is not the coun-



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try's physical property but the volume of its business.

The shoe then is on the other foot. Borrowing by the government to restore the volume of business, will not menace the public credit, but failure to restore business will inevitably wreck that credit. There is a definite limit to what can be borrowed on a continual decline. But whatever sums are necessary may be borrowed to swell a rising tide of recovery.

The money which it is here proposed that the government should borrow to turn the business tide would be on bonds to be amortized by the contributions of workers during that part of the business cycle when they work more than the average time for the cycle. This they must do as long as mathematics retains its relative validity. The bonds would put no additional strain whatever upon the general credit of the government. They would afford a welcome investment for millions of dollars of funds now lying idle for lack of promising investment outlook. And the restorative effect of turning these monies into the channels of consumption would soon remove both the necessity for governmental financial crutches for faltering industry and the cause of recurring budget deficits. Instead of straining the government's credit, the way is opened for its effective rehabilitation. Moreover, it would remove all incentive to inflation of the currency.

An informed economist always has an ace up his sleeve to drop on any suggestion of a reserve fund. In order to be effective, such funds must be of enormous size and must be invested in securities which represent producing equipment. They therefore, so runs the argument, contribute to the very over-production they are intended to offset. Then, when the downswing comes, these securities must be sold to obtain the cash to make required payments, an operation which aids in depressing the very security prices the reserve is designed to maintain.

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There can be little doubt that the huge reserves and undivided surpluses built up by our great financial and industrial organizations have had effects of this kind. They have gone into plant enlargements which have finally out-distanced the consumer demand. The attempt to convert them into cash to keep up dividends beyond the point where they were earned from current business has undoubtedly contributed more to depress the price of securities than the paying of the dividends has bouyed them.

To avoid these unfortunate results in so far as possible, it is proposed to handle the reserve fund for supplementary compensation in a somewhat different manner. As it accumulates after the amortization of such bonds as may have been issued to overcome the present depression, the money received from contributions would be turned over to the Treasury to be held as a trust fund. With it the Treasury would purchase government bonds from the Federal Reserve system, which would be required to sell them to the fund at current prices in whatever amount was needed. When the level of business fell below the seven-year national average, the Federal Reserve system would be required to buy bonds from the fund as it needed money. In general the economic effect of this buying and selling of government bonds would be just what the Federal Reserve idea contemplates, the selling of bonds in times of business expansion as a brake on the inflation of credit and the buying of bonds in times of business recession as a brake on credit contraction. The Federal Reserve authorities, however, would retain complete control of their own operations because they could always buy or sell "governments" in the open market to offset all, or any part, of their sales to, and purchases from, the reserve fund.

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In this way the ill-effects of the accumulation of reserve funds would be reduced to a minimum, if not entirely eliminated. The principal criticisms of the suggestion under consideration thus leave its basic advantages untouched. It proposes to set up within the existing economic structure an automatic balancing device which, like the gyroscope on an ocean liner, prevents the vessel from rolling uncomfortably—and sometimes destructively—but still leaves the entire control of her speed and direction in the hands of the officers on the bridge. It preserves all of the admitted advantages of our present system, but it eliminates all but casual unemployment, maintains a high living standard, insures a steady market for the great mass of the products of industry, and prevents the periodic recession of profits and destruction of values from which laborer and capitalist alike now suffer. In brief, it provides a consumption leg for our national economy as vigorous and dependable as its production leg. It makes possible the full use and enjoyment of the tremendous economic power of the country with security to its workers and the assurance of increased rewards to its successful captains of industry.

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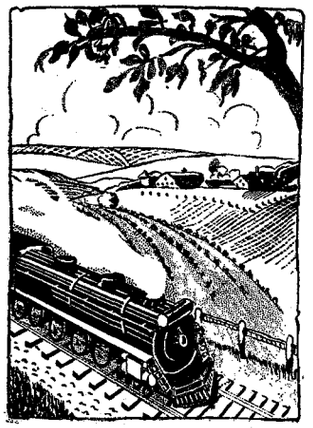
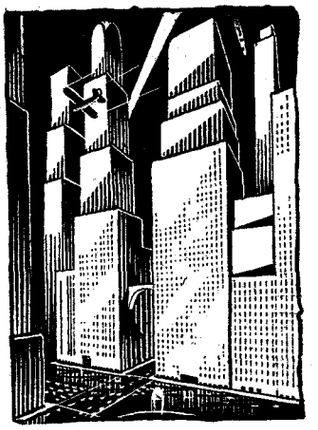


Talk of the Nation



Stamped Scrip

THE LIGHT of a new star of hope is beginning to flicker through the mists of economic and monetary confusion. Expert and near-expert observers disagree as to whether it should be classed as a Betelguese or just another Leonid, and this department, being considerably less than near-expert, guarantees to keep its mind wide open on the subject.

We refer to the scheme discussed by Mr. Cohrssen on another page of this issue of NEW OUTLOOK—the idea of stamped scrip. *Mayor Unterguggenberger's Plan* deals with a current, apparently successful, trial of it in a little town in the Austrian Tyrol, inspired by the previous good results of the use of *Wara* in Schwanenkirchen, Bavaria. (Good results, that is, until the government outlawed the movement by a special emergency decree in November, 1932.)

But activity along these lines has not been confined to Austria and Germany. Adaptations of the same idea, usually under the name of "self-liquidating currency," have attracted considerable attention here in the United States, and at least 45 communities are said to be putting the plan into practice, in some form or other, or to be preparing to do so as soon as necessary legislation is passed and fuller details are worked out. These communities are scattered in 29 states.

From all accounts, there is wide variation in detail of the plans from community to community. In some cases the scrip is emitted and controlled by the local government; in others, by some more informal body of citizens; the amount and frequency of the stamps required also differ from town to town; but in all cases the aim is the same. A fast-circulating medium of exchange is created—fast-circulating because it is to the individual interest of each temporary possessor to get rid of it as soon as possible. In all cases it is a primary necessity to obtain from a nucleus of citizens an assurance of coöperation and mutual confidence; otherwise the movement is doomed to die before it starts.

It is likely that stamped scrip will become the new bone of economic contention, for it has the mysteriousness possessed by all proposed monetary reforms, the lure of a possible panacea, and an appeal to our strong "try-anything-once" instinct.

No less an authority than Professor Irving Fisher of Yale has given the idea a warm endorsement; those opposed urge equally emphatically that it is nothing but a disguised form of rank inflation (and not very well disguised at that); this is the point of view which resulted in the suppression of the Schwanenkirchen experiment. "Cheap money will drive out dear money," is their cry. Other critics gloomily predict nothing but a continuous scramble to time purchases and payments so that the other fellow will have to put on the stamp. It is admitted that a certain amount of coöperative, give-and-take spirit is essential to the success of the plan, especially at the beginning.

In a few months, presumably, it will be possible to evaluate the success or failure of this new experiment in the American communities trying it out; now, the perspective is too short. In the mean time, we wish good luck to the stamped scrip pioneers.

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The Man Who Wrote In

Mr. Chester DeWitt Pugsley, of Peekskill (N. Y.), is one of our minor national celebrities. Even fairly assiduous non-professional newspaper-readers may not recognize it, but we venture to say that throughout this broad land there is not one experienced man at a copy desk who doesn't wince a little at the sound or sight of that sonorous name.

For Mr. Pugsley is the unofficial National Champion Institute-Founder. (All kinds of Institutes, but especially for International Affairs.) He also holds the title in catch-as-catch-can flag-giving and will take on any man of his weight at oil-portrait-donating. In order to keep the record straight he spends many of his waking hours informing newspaper editors of his current benefactions and of the latest sum total of all donations in the past, but he is no laggard in the writing of letters dealing with more controversial topics, such as broad state and national policies. In the five years for which we have records, Mr. Pugsley has presented a total of $400,368.18 to a long list of institutions (never to individuals: an invariable rule); we find items like "to Harvard University (aggregate for the years 1928-1931), $268,184.24"; and "to Bedford, New York, Farmers' Club (for cow), $120.00."

The most recent letter-writing *coup* of this not-to-be-forgotten man is also probably the most striking one. And it shows that the 37 year old bank vice-president can cut to the heart of a matter. The following communication, bearing Mr. Pugsley's signature and typed on the letterhead of the Westchester County National Bank was sent out a short time ago to the more important members of the Diplomatic Corps at Washington:

"My Dear Mr. Ambassador:

"I should appreciate a mention unofficially of my name among mem-

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bers of the Diplomatic Corps for Secretary of State.

"Very sincerely,
"CHESTER D. PUGSLEY."

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The Boy Who Made Good

"They laughed when I said I wanted to be a Congressman!" But that did not daunt our versatile contributor, Mr. Dirksen, dough-wrestler and orator of Pekin (Ill.), who in this month's NEW OUTLOOK describes the trepidations born of his success at the polls. He persevered in his laudable ambition, and, thanks to his almost Machiavellian campaign strategy, engagingly described on other pages of this issue, he begins this month what we confidently hope will be a long and useful career in the national government.

No prophet ourself, we merely echo Representative Dirksen in pointing out what was accomplished by another Republican Congressman from Illinois, famed for rails rather than doughnuts, who first held office in Washington a little more than eighty years ago. One word of judicious warning: we advise Mr. Dirksen not to attend the theater too much—especially if he has a preference for box seats.

From a perusal of literature prepared by Mr. Dirksen in connection with his major avocation, public speaking, we have gleaned a few quotations which shed additional light on his abilities. "He helps you uncover new values in life. . . . He makes you feel good inside. . . . Held his audience spellbound for a solid hour. . . . He is an apostle of the adventurous life—the Adventure of the Commonplace. . . . It requires an address out of the ordinary to hold the interest of a high school audience but Dirksen did it and the magic of his eloquence and the story he told caused a silence so intense that the dropping of a pin would have caused a crash in the large assembly hall. . . . He is Huckleberry Finn, rather than Horatio Alger or Pollyanna."

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New Technological Note

A new idea of the proper service due to customers has burgeoned in the mind of a restaurateur in Mount Pleasant, (Mich.). After a bow to Mr. Wayne Parrish's articles on Technocracy in earlier issues of NEW OUTLOOK, this Mr. H. writes: "I am designing plans for a new modern Cafe which I expect to open locally under the name of 'New Era,' serving food at the lowest cost and with the least amount of help as possible. Incidentally, this is being designed in an extremely futuristic manner. . . .

"Therefore the idea comes forth in my mind to help tie up the atmosphere of the interior with the name 'New Era' through posters placed in sight of each table and booth displaying either photos or literature on our modern machine age. Photos showing comparative changes with the future over the past would be preferred. Nevertheless, those of future alone could be explained with literature.

"In order to carry this on indefinitely as a service to the customers I will have to find a source of supply. . . ."

Such repercussions does the publication of a new theory have. We wonder how food will taste in this technocratic one-arm lunch.

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Farm Relief, 12th Century

Farmers in the Middle Ages had no Congress or Federal Farm Board to which to appeal when things went badly, but they were not entirely without defense against the ills which beset them. Our browsing department has produced the following, from *Economic and Social History of the Middle Ages,* by J. W. Thompson:

"In the name of god, Amen. Complaint having been made by the inhabitants of Villenoce in the diocese of Troyes against the locusts and caterpillars and other such animals that have laid waste the vineyards of that Place for several years and continue to do so, to the great detriment of the inhabitants of that and neighboring localities; and their request having been considered that the aforesaid animals should be warned by us [the Bishop of Troyes] and compelled by threats of ecclesiastical punishment to depart from the territory of the said town.

"Now, therefore, we, by the authority which we exercise in this diocese, warn the aforesaid locusts, caterpillars, and other animals, under whatsoever name known, by these presents, under the threat of curses and malediction, to depart from the vineyards and lands of the said town of Villenoce by virtue of this sentence, within six days from the publication of this warning, and to do no further damage either there or elsewhere in the diocese of Troyes. But, if the above mentioned animals do not implicitly obey this our warning within the specified time, then at the expiration of the six days, by virtue of our said authority we will maledict them through this document, and curse them by the same."

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Wedgwood Benn

The Right Honorable Wedgwood Benn, who writes in this issue of NEW OUTLOOK on the British War Debts, has accomplished a quarter of a century of service in the British Parliament, broken only by the War, when he was at first in the Yeomanry (volunteer Cavalry) and later in the Royal Air Force. He was decorated by Great Brtiain, France and Italy.

Mr. Benn's comments on the War Debts settlements derive additional interest from the fact that he was one of only 25 Liberals who were returned to Parliament in 1919 in opposition to Lloyd George, and proved at that time a formidable critic of the "Grand Architect of the Versailles Treaty" with its highly involved network of international obligations.

In the years 1929-32, he was a member of MacDonald's Labor Cabinet which went down to defeat just before Britain's abandonment of the gold standard. His portfolio was that of Secretary of State for India, and his regime was notable as marking a change in the method of approach to the Indian problem. The principle of granting reforms gave place to a bold attempt to proceed by direct negotiation. It was Mr. Benn, more than any other man, who was responsible for Mahatma Gandhi's attendance at the famous Round Table Conference.

●

Phantom Subject

From time to time there arrives upon the desks of picture and news editors about the country "a new picture," or a "hitherto untold story" of Bob Burman. The arrival of these pictures and these stories invariably coincide in the most successful man-

(*Continued on page* 58)

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Outlook Book Choice of the Month

Reviewed by Robert Cantwell

SOUTH MOON UNDER. By Marjorie Kinnan Rawlings. $2.00. 334 pp. New York: Charles Scribner's Sons.

IT IS NO ACCIDENT that the work of the younger novelists and the younger poets and critics is now being rather carefully scrutinized. In the past three years a dozen young writers have made themselves known, most of them on the strength of a single published work. The names of Thomas Wolfe, of Erskine Caldwell, Edward Dahlberg, George Davis, John Chamberlain, Leonard Ehrlich, Grace Lumpkin—to mention a few—have become identified with literary effort of one kind or another; there have been critical articles written about them; their books have been widely reviewed and discussed. This is a relatively new phenomenon in American cultural history. Traditionally, the beginning writer is expected to struggle for years in an attempt to get his work before the public; then he is expected to work in obscurity, mastering his art, until he achieves some recognition in his ripe old age.

This legend is evidently being dissipated. "South Moon Under," a first novel, is the OUTLOOK Book Choice of the Month and also March choice of The Book of the Month Club. "Union Square," by Albert Halper, also a first novel, is the choice of the Literary Guild. Such works as Erskine Caldwell's "God's Little Acre," Grace Lumpkin's "To Make My Bread," and John Chamberlain's "Farewell to Reform" have the status of important works among the books recently published. They may be liked or disliked, approved or condemned, but they are, nevertheless, conspicuous items in our contemporary culture, and can hardly be ignored. Precisely why the works of the young have this importance is a complicated question. No doubt it is partly because the books themselves are of a high quality, but it is also because the older, well-established writers are now beginning to seem so hopelessly bankrupt.

"South Moon Under" is in several respects out of the ordinary among the recent crop of first novels. Most of the young writers express cynicism or skepticism or despair in their stories; they probe rather complicated human relationships; their collective message, if it can be so simplified, is that life under our present social system is desolate and brutal. "South Moon Under" is out of this tradition. It is a simple story of life in the Florida backwoods, in the scrub country, "a vast, dry, rectangular plateau," where the hard conditions of pioneer life still exist. Mrs. Rawlings is closer to the Mark Twain who wrote "Huckleberry Finn" than to Faulkner or Hemingway. Lant Jacklin, the hero of "South Moon Under," is a modern descendant of Deerslayer and the Indian fighters, a keen hunter, a solitary unable to adjust himself to the social requirements of the community. And because Mrs. Rawlings writes of his exploits with a kind of nostalgic richness, with a wealth of specific detail about the way he lives, "South Moon Under" is a genuinely moving novel.

There is surprisingly little to the story aside from the long accounts of Lant's life in the woods. There is, to be sure, a complication suggested when the first Lantry clears his farm in the scrub, hiding away from a murder he has committed, and a similiar complication enters when Lant's activities as a moonshiner are betrayed by his cousin. But Mrs. Rawlings disposes of these matters rather quickly, as if they were as distasteful to her as to Lant himself, and brings her fullest powers of observation to bear upon the scrub itself, on Lant's long hunting trips, his trapping and logging expeditions, his encyclopedic knowledge of the woods. Here her familiarity with the region enables her to call to life those countless minute fragments of the scene, the small and neglected details that combine to give the picture reality and fullness in the mind of the reader. There is a long description of a raft trip down the river suggesting passages of the same kind from "Huckleberry Finn," and it is by no means a forced comparison, or one that casts discredit upon Mrs. Rawlings' writing. Lant knew the river by heart, the author tells us, "Shingle Landing, Mud Bottom Springs, Saw-Grass, Indian Bluff, where he found the old 45-70 bullet, as big as his thumb, from the Indian wars—he passed them as he would pass folks he knew. Today their faces were a little strange, as though they showed an unsuspected lack of friendliness." It is in this quiet, conversational prose that the story of "South Moon Under" is told, and if there are no brilliantly quotable high points in the writing, there are no low spots either.

"South Moon Under" is a distinguished work in its own right, regardless of the age of its author. It is out of the ordinary among the works of the younger writers, however, presenting as it does an environment which has almost disappeared, and a kind of existence which cannot be considered as representative. Mrs. Rawlings' characters are the last of the pioneers; civilization scarcely touches them, except in the sense that the law is always a threat. She shows us that there is a possibility for a fuller development of the individual in a simple, almost rural society—"healthy" is the publishers word for it—but the solution she offers is limited to a very few, if it is still possible for any.

Most of the young writers describe more crowded scenes, and more complicated social structures. In this connection, it is interesting to turn to Albert Halper's "Union Square," which in a sense is more typical of the work of the young writers as a group. "Union Square" is a less fin-

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ished, less careful piece of work than "South Moon Under," but it, too, presents individuals living in a wilderness—the unexplored area around Fourteenth Street, New York City. Halper's characters are those who have been beaten by their environment: poets and artists, ex-Communists who have lost faith in the radical movement, business men who carry on nagging and miserable love affairs. He seems to fluctuate between regarding his characters with contempt because they have been beaten by their environment, and regarding them with sympathy for the same reason. There is a deep note of revulsion in the novel, very much like that which Thomas Wolfe expressed in "Look Homeward, Angel!" and that Edward Dahlberg expressed in "Bottom Dogs" and "From Flushing to Calvary"—a revulsion with the physical characteristics of the scene, with the stupidity of human beings, with the hopelessness of any change.

Mrs. Rawlings shows us that a good life may have been possible once, in a far place and under special conditions. Albert Halper shows us that it is impossible now, in a more representative, urban, industralized society. With very few exceptions, these two attitudes sum up the present message of the younger writers.

•

Other Books of the Month

FICTION

GOD'S LITTLE ACRE. By Erskine Caldwell. Viking Press. $2.50. A fantastic story of a Georgia farmer's hunt for gold, written by one of the most original and inventive of contemporary novelists.

LET THE HURRICANE ROAR! Rose Wilder Lane. Longmans Green. $1.50. Another evocation of pioneer life, this time in the Dakotas in the '70's.

THE NEW BRIDGE. By Meyer Levin. Covici Friede. $2.00. A short, powerful and bitter story of an eviction of an unemployed family.

THE SEA WITCH. By Alexander Laing. Farrar and Rinehart. $2.50. An imaginative return to the great days of sailing ships.

TO THE NORTH. By Elizabeth Bowen. Knopf. $2.50. The author

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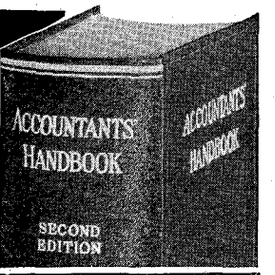

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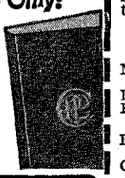

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●

Talk of the Nation

(*Continued from page* 55)

ner of press-agentry with an approaching event in the automobile world, usually some race meet.

These efforts to prove to the ever forgetful and careless editing fraternity that Bob Burman is the greatest racing driver of all time come from George Mains, who in 1904 was a tow-headed "tongue carrier" in the Durant carriage factory at Flint, Mich. The real big job in the plant was the painter of wheels and this exalted post was occupied by Robert Burman, later "Wild Bob" Burman, the life-long hero of Mains.

When gasoline buggies began to replace the earlier horse-drawn types, Burman dropped his paint brushes and became one of the first test drivers, going from this to racing. Early in this new career he took the measure of Barney Oldfield at a race in Detroit refereed by Henry Ford. He became chief of the Buick team, set a world's record of 141 miles an hour at Daytona Beach in 1911, and at one time held fifteen records. In the years of his great achievement he seldom saw Mains, but he was not forgotten by Mains, who achieved the thrill of a life time by being permitted to sponsor Burman in 1915 for membership in the Elks Club of Flint.

Burman was killed seventeen years ago in a race at Coronado, Calif., but the "new" pictures, and the "new" stories are still coming in from Mains.

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Traveling With the News

ONE OF THE VIRTUES of travel, is the freshening and stimulating of one's point of view—more, especially when one's own viewpoint has become dulled and discouraged after a prolonged pounding from Old Man Depression.

England, particularly the England of Mr. Wedgwood Benn's article in this issue of NEW OUTLOOK has been one of those nations which the War precipitated into a desperate struggle for existence. If we think New York is badly off, then let us walk around London with our eyes open! But there is still a bright side of England.

Choose a day in Springtime and motor (or motor-bus) down from London across the Surrey Downs to the coast; preferably Brighton. In such a trip (if you haven't already done so) you will discover England. You will meet John Bull face to face, just as you have seen him pictured in Punch. You will ride into a feudal town, Arundel, for example, and see the seat of the Duke of Norfolk, still representing that old ruling nobility, with castle and vast estates, that was once England's pride, but which today are being taxed out of existence.

At the foot of the North Downs you will pass through Dorking, surrounded by some of the most pleasing scenery in Surrey. The former King's Head in North Street is the original of The Marquis of Granby in "Pickwick." George Meredith is buried in the churchyard. Sir Philip Gibbs lives in quaint Pudding Lane. It is the typical English "small town," with its inevitable High Street, ancient Inn, "pubs," rows of brick cottages, gardens everywhere, stuffy old shops with ancient wrought-iron signs creaking out front, countless chimney pots oozing out an unforgettable smell of soft coal smoke, the first families hedged in their small estates behind board fence or stone wall screens—but everyone carrying on "Cavalcade" fashion, good-naturedly, stolidly, staunchly.

You pass on, and finally mount the South Downs and find yourself looking down on Brighton, the Atlantic City of England. There on the "Parade," as they call the public walk by the sea, stand huge, barnlike hotels, piers, dance halls—and all the concomitants of the familiar pleasure resort. Save that Brighton is British in its smells of ale and porter, its Cockney and Oxford drawls, its prim old ladies,—its daily fare of cold joints;—its odd mixture of fusty frumpery, its free speech, its roast beef of Old England, and its class divisions—that are only found in England.

●

CHINA

For many centuries, the Great Wall of China (which Martin Sommers touches upon in his article, "An Adventure in Diplomania") has been a barrier separating China proper from the rest of the world. As one of the Seven Wonders of the World for all time, a legendary aspect has come to surround this monumental achievement, endowing it with properties which are solely imaginary. Science, however, gives it the accolade that no other man-made object on our globe has merited, when it has been declared that were the next nearest world to invent a telescope strong enough to see things upon earth, the Great Wall of China alone among the achievements of man would be visible!

Thus the Great Wall has been a symbol of super-human achievement to the rest of the world since its discovery by the first foreign traveler. To China proper, it has been a symbol of inviolability against foreign invasion ever since it was built. The Chinese think of it as an attack against the Wall! The Manchus broke through the Wall and conquered China, only to find themselves in the end Chinese, completely swallowed up by the Dragon they thought they had vanquished.

And now China's belligerent neighbor, Japan, essays to "attack the Wall." It will be interesting to watch future developments and consequences should she effectually break through the sacred barrier and penetrate the hinterland. China proper is impenetrable. To those who are somewhat acquainted with China, her people and her ways, she sooner or later becomes infinite in character; infinite in her understanding, in her antiquity, in her cunning, in her hordes of people, in her reaches of inner territory, in her acumen for economy, and her powers of endurance. This aspect of China takes on a lower order of consideration from the chance tourist or the casual visi-

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tor, who looks upon the endless perspective and teeming masses as "hopeless."

The Great Wall of China seen at a great distance or close up, gives precisely those reactions to the beholder: infinitude or hopelessness, according to the mental background of the individual observer.

●

A trip from Mukden to Peiping takes on added historical significance, due to the fact that many major operations in the current Sino-Japanese conflict have taken place along this line. The reason for this is obvious—due to the fact that the railway itself is of paramount strategic value.

Mukden (Fengtien) is one of the most curious towns in the world. Its more striking external aspect is Russian, for Russia in her course of empire once planned to raise up here in Western Manchuria a Far East metropolis for the Czar. The fall of Port Arthur and the rise of the Japanese spoiled that. Mukden passed from Russian to Japanese control as part of the spoils of war.

There is an astonishing Square (more correctly a "circus," as they are called in London, because of its circular shape) that is the core of the foreign city. The chief building is a commodious, well-built and well-appointed hotel, now operated by the South Manchuria Railway. An excellent system of tram lines terminate in the center of the Square that is almost entirely surrounded by imposing buildings of which any middling-large city in the world would be justly proud.

Mukden is reputed to be a trading center for semi-precious stones. Quaint shops lie just around the corner from the hotel. If our tourist is traveling from the south, it is his first opportunity to tap the treasures of China, and he plunges deeply in jade and ivory—only to regret it when he shall arrive in Peiping!

The erstwhile Russian quarter is all-Japanese now. And, of course, there is the Chinese quarter, which seems strange after leaving the ostentatious Russo-Japanese Main Street, until we stop to recollect that we are now in Chinese Manchuria. A short jinrikisha ride from town brings us to the famous Manchu rulers' tomb with effigies of beasts that make a fitting prelude to the Ming tombs.

One of the most thrilling adventures in all my travels was that of my first climb on the Great Wall of China. The recollection glows with added importance when I recall that it was at the now devastated city of Shan-hai-Kwan.

Near the station we passed through the magnificent gateway of what had been the ancient portcullis to the walled town. I took note of several dried heads hanging in cages from the ceiling. On the main street smiths worked at ancient forges, hucksters beat their sonorous tambours, scores of macaroni shops throve, with their insignia of a hoop fluttering with red ribbons. We pass dozens of snarling dogs and vagrant black pigs, a company of indolent soldiers singing! We pass through another gateway heavily fortified and are now out of the city proper. A superb tower of several stories stands directly before us. Out of the crumbling wall an inclined roadway has been made and I clamber up this, at length finding myself on top of the Great Wall of China! Directly surrounding me is a series of walled courts. Beyond, I catch my first extensive view of the Great Wall. The first impression was, that there were several walls, as it sprawled over the mountains as far as the eye could see. This illusion was due to the fact that it was always the same wall that had completely disappeared into an unseen valley and begun climbing anew over another mountain and at a new angle.

●

When all is written and said and done of my travels, I am quite sure that I shall return to the declaration I make to-day and repeat: Pekin, or Peking, or Peiping—as you will call it—stands out as the most interesting, the most thrilling, the most charming of all other cities I know.

Its three cities are as distinct one from another as one precious stone is from another: The Forbidden City, the Tartar City, the City Within the Walls. . . . A string of dromedaries swinging and padding along bound for the Gobi Desert—blue-clad coolies spreading water over the dusty streets from wooden buckets—carts from the country with great studded wheels and tops covered with blue nankeen—donkeys, more camels, pigs—a gaudy funeral procession headed by a man violently beating big cymbals—two men sitting astride

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a coffin hewing it out like a dug-out canoe—smiths working in the open—public wells at every block with half-naked coolies toiling at the windlasses; basket makers; matting makers; macaroni makers—herds of goats. . . . The smells, the cries, the overtones and the undertones of the East that is Peiping, that is China. You will ever remember and cherish and thrill with them, world traveler.

●

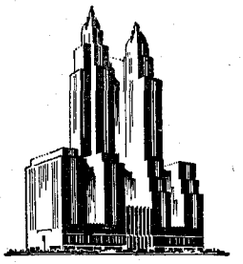
THE TYROL

It is a far cry from China to the Tyrol where the readers of NEW OUTLOOK journey this month to look in upon a unique experiment in stamped scrip. I once made an *ausflug* from Innsbruck to the little town of Woergl which is the scene of this experiment. I walked the greater part of the way with a *ruck-sack* fastened to my back and a stout *alpenstock* clasped in my hand. The inimitable native flavor and savor of the Tyrol loses much of its relish for those who dash through it at 40 miles an hour by motor.

The way is simple to follow. First, find the River Inn and then follow it out of the city in its north-easterly course, and you will have one of the greatest treats that tourism affords. I vividly recall, for example, two towns beside the River Inn that are scarcely known to any but the walking tourist. And yet Rattenberg and Kufstein offer incredible and scarcely altered pictures of Medieval Europe. Those who are already familiar with Rothenberg, Germany, or with Carcasson, France, will find here something quite different. An almost grim and rugged architecture that will tell you at a glance the sturdy and stubborn character of the Tyrolese.

I serve notice that Rattenberg has not a single palatial hotel where you may bathe in porcelained luxury, dress in dinner clothes and go down to a brilliant *salle a manger* and meet the same old crowd that you met at Shepheard's, Cairo, or at the Waldorf-Astoria, New York, or at the Hotel de Paris, Monte Carlo. There are several inns where you may play pinochle, but not bridge, and join in a *schuhplattler dance,* but not the tango.

So, we enter Rattenberg on foot and decide to stop at the Gasthof



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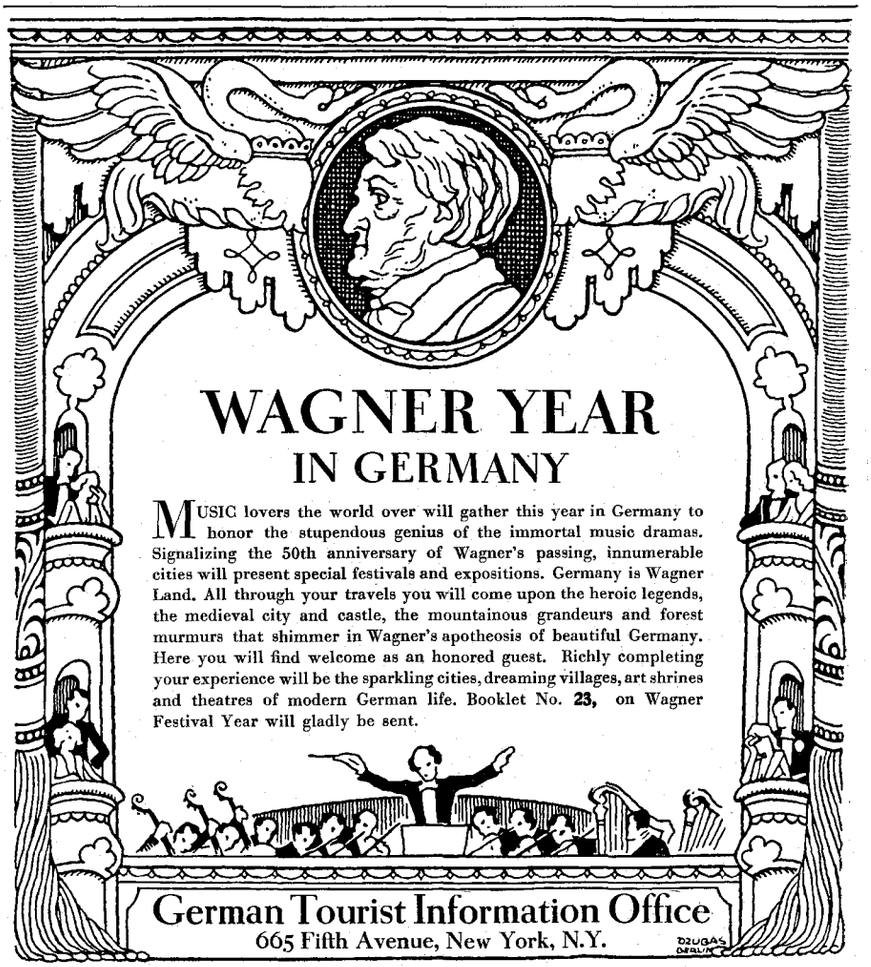

WAGNER YEAR
IN GERMANY

MUSIC lovers the world over will gather this year in Germany to honor the stupendous genius of the immortal music dramas. Signalizing the 50th anniversary of Wagner's passing, innumerable cities will present special festivals and expositions. Germany is Wagner Land. All through your travels you will come upon the heroic legends, the medieval city and castle, the mountainous grandeurs and forest murmurs that shimmer in Wagner's apotheosis of beautiful Germany. Here you will find welcome as an honored guest. Richly completing your experience will be the sparkling cities, dreaming villages, art shrines and theatres of modern German life. Booklet No. **23,** on Wagner Festival Year will gladly be sent.

German Tourist Information Office
665 Fifth Avenue, New York, N.Y.

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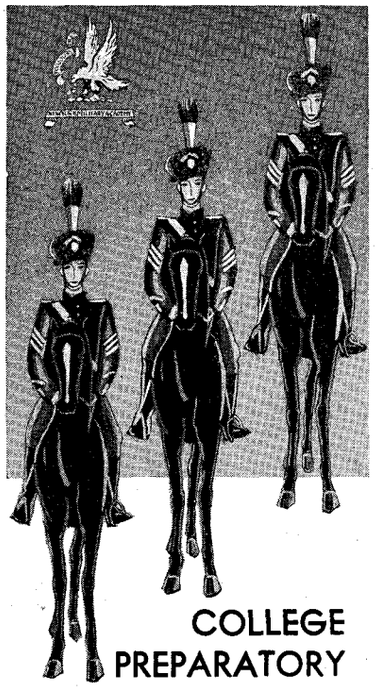

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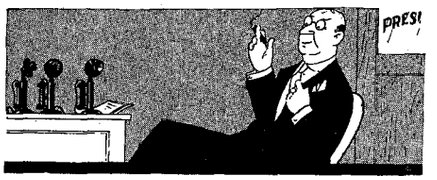

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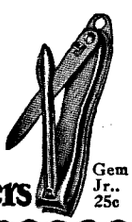

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. . . read the NEW OUTLOOK Classified Advertising Column for "Wants" and "Offerings" . . . Use the Classified Advertising Column yourself to announce your own "Wants" or "Offerings." See following page.

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zum Post located at the top of the winding old street with the crumbling castle in full view. We are led through the kitchen where the ample *hausfrau* stirring the huge soup pot beams on us hospitally. Up an ancient stair of stone, and through a barrel-vaulted room where some *bauern* are dancing to the music of the national instrument, the zither. Our room is large with a tiled stove in one corner and a giant bed in the other, heaped high with feather bolsters—one to be slept on, the other to be slept under. The floors are bare, but scrubbed clean with some white sand sprinkled over the bleached boards. There are red flowers on the broad window sill.

Down Main Street we stroll, following the lamplighter who reaches aloft with his long pole and lights lamp after lamp. These are the moments to discover all the hidden beauty of Old Rattenberg. We stroll down to the banks of the Inn and walk out on the ancient stone-arched bridge with its wooden floor and sides gazing into the now green-black waters flowing swiftly by. We note with almost alarm how ghostly high and threatening the houses seem to have grown, presenting a solid wall broken through but by a single street. At one end is the former cloister with its semi-detached chapel and charming cupola capping its medieval tower. But as we approach the monastery it resounds with worldly revelry—laughter, song, dancing, clinking of glasses.

On the occasion of my visit to Kufstein it was a Holy Day, so the whole neighborhood was out there in holiday attire; the men in their chamois skin shorts, embroidered suspenders and Tyrolean hat with a "brush" of chamois whiskers; the women in their *dirndls* or voluminous skirts. Tables were everywhere and waiters, some of them wearing their native hats with long feathers stuck in them, bearing huge trays filled with steins of foaming beer. Towering above all in the background is the *festung,* and its turreted bastions and extensive fortifications. Just below it stands the saucy little parish church, its stucco walls a saffron yellow, the tall square tower wearing a bulbous barock hood, supplemented by a blue-faced clock and numerous gargoyle water spouts. Some distance below us is the old bridge across the greenish muddy waters of the Inn.

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In the fortified court below is a great beer garden. Already hundreds of people are dancing to the music of a quaint Tyrolean band—scores of selected couples in their brilliant costumes were dancing the *shuhplattler* dance, slapping their legs, whirling and yip-yipping like cowboys. A laughing, care-free people whose hardships had been a thousand-fold worse than ours, yet they had found some secret of living that we in this "Land of Promise" have never learned.

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Economic Reports

(*Continued from page* 47)

plan have stressed the low percentage of socialization of the peasants. Not only do the latter constitute 80 per cent of the population, but their products are the only products that can normally be exported on a large scale.

Latin American Front

In Latin America there have been no spectacular developments during the past month. The Colombian picture is still over-shadowed by the diplomatic tension with Peru and the prospect of an exhausting conflict in the Upper Amazon. International opinion has expressed itself officially as unanimously in support of Colombia's stand, and there is increased hope of a peaceful settlement. Should this goal be attained, renewed progress toward economic recovery in Colombia is a legitimate hope.

In Argentina, after months of press discussion regarding the advisability of a moratorium on the external debt, the Finance Minister has given a reassuring interview, declaring that the question has been postponed for several months and that the service on the external debt will continue according to schedule for the time being.

American newspapers have at last awakened to the critical plight of Cuba, and the outlook for accentuated symptoms of economic disintegration, accompanied by political troubles, seems increasing. This is one of the innumerable problems which the new administration at Washington will shortly have to face, as the American Government cannot side-step completely all responsibility for Cuba.

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WHAT STAMPS TELL

IF POSTERITY were left with nothing but a stamp collection as evidence of prior civilization, its historians would still have available more material wherewith to re-create our times than most of us realize.

The old Mulready envelope would be the first source of information for such a uniquely documented history. This item manifested Great Britain's supremacy in world's commerce. Within a short span of time philatelic evidence of developments became abundant, for the idea of a prepaid adhesive for mail delivery soon pervaded the world .

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Stamps obviously teach geography, but that is only one angle of their educational value. They reflect the spiritual life of the different nations issuing them, be it the dragon of ancient Chinese culture, or the half moon Moslem symbol depicted on Turkish stamps. Many countries now issue pictorial stamps to commemorate famous national figures and outstanding events in their history. They are evidence of the importance of publicity in our age.

Twenty years after the United States began to use stamps, special Confederate issues tell in no uncertain terms of the challenge to the Union. The Confederate postage stamps were less refined than other contemporary stamps of this country and thus bear witness to the hardships under which they were created.

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The siege of Paris during the Franco-Prussian war in 1870-71 is another event of which many episodes are preserved in stamp collections. It is the real birth of "air mail." Balloons carrying pigeons were dispatched from Paris with mail for the outside world. The pigeons were sent to a central post office where all messages for Paris were printed and reduced to microscopic size on a film. The birds were released with these films attached to their legs, and upon arrival in Paris the text was enlarged on a projecting screen. The messages were then written out and delivered to the parties for whom they were destined.

By this ingenious manner two-way communications by air were established years before what we have come to look upon as the aerial age. Paris balloon mail is now keenly sought by collectors and affords us a striking opportunity to realize, how events told by current postage stamps can incite future generations to enthusiasm.

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Switzerland, that small European country which is international to the extent of having no language of its own but using French, German and Italian, is the seat of the world's postal union. It also houses the League of Nations, the existence of which can be traced from the overprint of current Swiss stamps used by the secretariat of that institution. Likewise a set of stamps from Switzerland records the disarmament conference held there in 1932. Two symbolic designs were used, one showing the conventional dove with the olive branch, the other a modernistic design depicting peace.

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The change of conditions in Russia from Czarism to Sovietism is illustrated on the stamps of that country which now portray the modern heroes there and bear the hammer and sickle insignia of the Soviets. The Bolsheviks have taken full advantage of the penetrating propaganda possibilities of stamps. No sooner had Lenin died than the passing of this new "savior of the Russian nation" was announced to the world at large by the issuance of a stamp with his portrait in a black frame of mourning. It was followed by another stamp depicting the temporary Lenin mausoleum. One postage stamp in the form of a map, issued by the Union of Soviet Republics, shows in brilliant red the extent of their domain. The object of communistic propaganda is obvious, but it cared not specially for truth, as the Baltic countries were shown as part of the domain of U. S. S. R.

German stamps of the 1922-23 period speak forcibly of the results of deflation with issue following upon issue until the values, or rather lack of values, had reached the impressive figures of millions and billions. Because the stamps here record the occurrences dispassionately and faithfully, they are once more a true picture of their time.

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Postage stamps remain forever an open book, willingly revealing the many stories to be read from them.

This proof of the educational factor of stamps may prove an eye-opener to many people who have heretofore looked askance upon stamp collecting as a dull subject. It is an absorbingly interesting and profitable pastime. Not the least lure of this continuously expanding hobby is its adjustability to each individual's inclinations and purse. Kings and commoners derive the same pleasure from their stamps; they know neither creed nor nationality.

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No decision has been arrived at yet regarding the Coolidge stamp referred to in the last issue. It is one of the matters left to the incoming administration.

Another commemorative stamp has, however, appeared in this country. It is a 3-cent stamp and was on sale at Savannah, Ga., on February 13th, commemorating the 200th anniversary of the landing of General James Oglethorpe, founder of the Georgia colony.

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Next month we shall outline how a specialized collection can be formed to tell the story of the evolution of transportation.—*Erik Hildesheim.*

STAMP ADVERTISEMENTS

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